Class Implications of a Mortgaged Economy: Reflections on Building a Sociology of Debt

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Abstract

This thesis examines the democratization of debt and its role in the formation and maintenance of the new middle class (NMC) in Canadian society. Through explicitly linking the concept of debt to the intensification of labour, class discourse evolves beyond the economic reliance on income and property holdings to encompass the social trade-offs that accompany the decisions to enter into debt relations and assume repayment obligations. Drawing on the history of debt and shifting moral views on debt it is shown how debt provides a common language that mitigates class conflict and creates the conditions for life-long employment as oversight mechanisms regulating indebtedness parallel changes that accompanied the transformation of work. A case study of microcredit further depicts how the extension of debt provides individuals with the capacity to create their own ‘risk-biographies’ within a limited set of outcomes. Semi-structured interviews with retirees were conducted to supplement the secondary research and focused on the ‘lived-class’ experience. The interviews were analyzed using a phenomenographic approach that explored how debt knowledge is acquired, transmitted and used to maintain middle-class lifestyles. Topics of investigation included first experiences with debt, views on debtors, co-signing loans, comfort levels with financial instruments such as stocks and overall financial awareness. The research findings provide the foundational elements for the continued evolution of the sociology of debt as a means to locate the NMC and to assess the collateral being deployed to remain in good standing.

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Chapter 1: Questioning Class

In her non-fiction work, *Payback: Debt and the Shadow Side of Wealth*, Margaret Atwood explored "...that peculiar nexus where money, narrative or story, and religious belief intersect, often with explosive force" (2008: 2). The subject in question was debt and the timing of her work was masterful. The sub-prime fiasco was pummeling the global economy, home owners in the United States were defaulting on their mortgages in record numbers, small businesses were having difficulty accessing credit and debt was viewed – not for the first time – as the harbinger of evil. However, despite this upheaval, access to credit remains a key component of promoting an egalitarian society by providing those without sufficient means the necessary capital to demonstrate their talents as evidenced by the prevalence of loans for pursuing higher education or acquiring labour skills whereby the terms and conditions are largely market-based. It is within this seemingly contradictory approach to promoting equality through debt that this thesis will challenge class analysis and advocate for the recognition of debt discourse as a sociological tool capable of identifying class boundaries and locating Canada's new middle class (NMC).

This research stems neither from an interest in self-understanding, nor from an inflated sense of self-importance as a salaried professional who would satisfy the majority of the traditional income-based criteria used to demarcate the NMC (Burris, 1986: 317). The desire to assess class inequalities through the dual lens of debt and the NMC was initially conceived to illustrate the limited importance and agency a (credit) card-bearing member of the NMC actually possesses. Ross (1978: 163) rightfully noted, "the emergence of intermediate strata in advanced industrial society has been rediscovered more often than the wheel." However, by focussing on

the NMC's ability to reconstitute the defining parameters of class agency as being directly tied to debt relationships results in new research opportunities capable of resonating with the NMC who are currently left to independently construct individual risk-biographies and rely on 'debtfare' to smooth over consumption irregularities to generate the basic societal opportunities typically associated with class such as education, housing and mobility. Similar groupings based on occupational income, accreditation and other measurable attributes can then provide a point of departure into understanding the machinations of the middle class. However, these grouping alone inadequately bridge the divide between identity, occupation and more importantly, the character of class. It is within this space that an approach premised on the sociology of debt can stake claims and contribute to the ongoing vitality and need for class analysis despite the complexities of delineating class boundaries in an increasingly individualized world.

Research Puzzle

This thesis challenges traditional class theories by positing that class conflict is not solely responsible for giving history its shape and meaning, emphasizing that participatory forces that suppress conflict and encourage inclusion must form part of any sociological investigation. In this regard, debt represents an intriguing research tool in that the morals and values associated with both the acts of lending and borrowing are fluid and not spatially or temporally bound. What is being proposed is an alternative method of conceptualizing class relations that examines the linkages of interdependence, dominance and struggle (or lack thereof) resultant from debt dependence that places greater emphasis on how class is lived, what it means to be 'elite', and how conflict is suppressed. Central to this work is the premise that lower classes are no longer a burden on society requiring societal intervention either in the form of trying to cure its ills or

simply casting them aside. Similar to the approach employed by Elson & Pearson (1981:87) to problematize and investigate the development process through the very mechanisms deployed to promote change, this research challenges the methods by which debt relations contribute to the ongoing integration of individuals into the employment relation and the reproduction of class outcomes. To borrow from Bauman (1983: 37) the history of debt and its corresponding impacts are viewed from the outset as part of a much “larger history of the containment of the new poor, uncontrolled and hence re-defined as dangerous classes.”

While the physical and social representations of class can be smoothed-over or deferred through debt consumption, it will be argued that the ramifications of debt dependency as expressed through degree of indebtedness and repayment patterns, exposes class boundaries over time. Boundaries that, far from being rigid interpretations of class based on incomes or professions are influenced by lived experiences that are vulnerable to shifting assessments and prevailing moral norms that shape what it means to be middle class. Income patterns alone cannot account for why, when and for how long individuals become indebted. The means through which access to debt limits, enables or impedes life options and the corresponding ability to create individual risk biographies reflect the manifestations of lived class, class as experienced through the (in)ability to escape the bonds of debt dependence. More succinctly, this thesis will investigate if debt usage influences or shapes the class experience and the degree to which class is itself subject to its constraints. Shifting risk perspectives are also triggering new responses to financial constraints as once unassailable gold standards such as pensions and government jobs have not escaped deficit reductions actions plans and serve as pointed reminders that no employment relation is immune to market volatility and prevailing political considerations.

A debt-biased approach to class relations seeks to avoid the pitfalls of class reductionism (Burris, 1986: 345) and readily accepts that convenient categorizations of class are inherently limiting in encouraging a broader class discourse capable of targeting social inequalities. Linking debt with class analysis will uncouple class analysis from rigid categories in that the very nature of debt, the morality associated with both lending and borrowing, is constantly reinventing itself, allowing for class discourse to evolve with shifting economic realities.¹

Given the exploratory nature of this original approach to class analysis, the thesis develops a multifaceted approach to conceptualizing class in order to reveal the tensions and contradictions associated with deploying debt as a methodological instrument for delineating class boundaries. The objective is not to provide instructions for the re-classification of individuals within newly defined hierarchies, instead the objective is to reveal debt's influence on both employment and social relations to show how debt dependency impedes or accelerates collective responses to emerging risks. To support this objective and assess the links between consumer debts and class this thesis examines the following claims:

- 1) Credit and class are intimately associated and combine to reinforce a precarious balance within and between classes.**
- 2) The core tendencies of debt-biased class relations are located within workplace transformation and employment relations.**
- 3) The democratization of debt results in the intensification of work and mitigates conflict.**

¹ Formal attempts at using debt to delineate and define classes have been previously attempted. “Indeed, the Census of Population conducted in Sweden in 1810 contained the following specific instructions for officials about how to define classes: “In order to determine the various statuses of society of households, those who could be called rich are those who have a surplus of about 500 rix-dollars in excess of their annual expenditure; the moderately rich are those who have less, also those who for their sustenance do not need to incur debts; the poor are those who manage not without difficulty: they also include property owners who are in debt in excess of their assets; the destitute are those who have to be sustained by gifts and contributions from others” (cited by Soltow, 1989, p. 47).

To investigate these claims, the thesis will examine debt from a historical perspective and contrast the evolution of consumer debt with the transformation of work. Chapter 2 identifies the strong ties between credit and class, and examines the relevance of credit as a tool for social control and economic growth. Chapter 3 then explores the history of debt to show how the transformation of work instituted a reliance on market-based solutions to level inequalities with a particular emphasis on Fordism and scientific management and the alignment of these changes to identifiable trends associated with the democratization of debt, the intensification of work and the displacement and mitigation of class conflict. It will be argued that debt relations and new conceptions of solidarity that promoted the reliance on market-based outcomes as opposed to in-person interactions played a pivotal role in this transformation.

The evolution of employment relations are viewed through with an emphasis on breaking down work activities into their core functions such that ‘scientific’ knowledge remains the dominion of the managerial class resulting in new forms of alienation that are enhanced further as a result of indebtedness. In addition, the impacts of debt are considered against the similarities between Marx’s capitalist production and Taylor’s scientific management in order to question what it means to ‘live’ as opposed to what it means to ‘work’. For Taylor, the worker can find dignity and determination if the tenets of scientific management are strictly adhered to. Simply stated, scientific management seeks to ensure that workers consistently produce at the maximum of their daily output capacity. Scientifically determining this rate involved conducting trials with high performing employees, breaking down the tasks performed by the worker and then reconstituting the tasks by eliminating any wasteful or needless motions. This process involved both an analysis of body mechanics as well as a detailed analysis of the tools of the

trade, for example, what is the optimum shape and length of a shovel required to facilitate workers' movements? While Taylor's work may not redefine science or even really amount to anything other than cursory mathematical functions such as addition and subtraction, evidence confirmed that existing labour processes in his day were not operating at peak efficiency. Given that the labour process was not operating at peak efficiency, Taylor's conclusion that workers were responsible for the conditions that ensured their own low wages should not have come as any surprise (particularly when Taylor's relatively privileged social standing is taken into account).

In order to capture the social, economic and moral implications of debt, an analysis of the Canadian context is brought forward in Chapter 4 to show the reach of debt and its impacts on generational wealth transfers, agency and well-being. Areas of investigation will include assessing how the shift from exclusionary class tendencies towards active efforts to recruit members from all walks of life into debt relations influence the employment relation as well as the family. The analysis will focus on the reliance on the market to 'guarantee' opportunity and the myth of mutual prosperity as the extension of credit is accompanied by the extension of oversight and disciplinary mechanisms, methods of control that encapsulate similar trends to those identified in the previous Chapter as result of workplace transformation. The continued assumption of debt is viewed as a coping mechanism to accommodate both market and personal failings that in turn regulates behaviour and limits agency. Where once the conceptualization of the underclass was used to decry the dredge of society, we will explore how interactions with debt legitimize the democratization of credit as evidenced by the prevalence of debt usage in Canada, property ownership and an analysis of emergent global trends. The reliance on home ownership and incentives to purchase are particularly interesting given the general concerns

surrounding the current state of the Canadian housing market as being overvalued and potentially facing stagnation or loss of value over the next several years. Are we entering a transitory period where “mortgages” will be again likened to a death pledge?²

These implications are further discussed through a case study on microcredit practices to illustrate how long-term financial obligations and the corresponding social and economic collateral being deployed to obtain loans and remain in good standing result in the intensification of work and self-regulation. What is proposed is viewing debt as a structural theory of inequality, one that is based on exploitative processes of inclusion as the revenue extracted by providers of capital is directly linked to the continual labour effort of recipients. Debtors are encouraged to ‘graduate’ to higher loans, expend more labour effort and generate greater interest payments. Failure to graduate and participate is not a viable option for debtors. The case study of microcredit illustrates how debt can extend its reach to the depths of the credit pool to provide individuals with the capacity to create their own ‘risk-biographies’. It also serves to illustrate how economic intervention can spill over into the social and political spheres as well as the importance of developing networks of support.³ The focus of the microcredit case study is to reveal how opportunity is contained through debt relations and to capture similarities exhibited between the transformation of work and indebtedness such as the expansion of oversight mechanisms and self-discipline. While debt is shown to run through the family unit and the challenges facing women in the context of microcredit depict a wide-range of gender issues, it

² Rowbotham (1998:31) “In its medieval origins, the word mortgage means literally ‘*death-pledge*’, or ‘*death-grip*’. Then, mortgages were never a method of buying a property; they were a method of raising money on property you already owned if you had fallen on hard times; a last resort in times of dire financial need.”

³ Counts (2008:48) argued that the relationships built by micro financial institutions with the world’s poor were more valuable than their loan portfolios and should be seen as a conduit or platform for providing services to the poor.

should be noted that any conclusions drawn on this front are explicitly linked to the microcredit example. No claims are being made to correlate the experiences of women in Bangladesh to that of Canada as this thesis focuses on the lived-experiences of debtors that are in turn impacted by the development of risk-biographies that differ between regions. Rather, the microcredit example reinforces the parallels exhibited between control mechanisms deployed in both the workplace and within debt-biased class relations for the purposes of identifying the role debt plays in bridging the divide between employment relations and social relations.

To supplement the secondary research, Chapter 5 captures the results of primary research in the form of semi-structured interviews with retirees and attempts to move beyond working class demarcations to chart an original approach to class analysis. Primary research was conducted in the form of semi-structured interviews with retired Canadians to isolate emerging trends of relevance to Canadian families. Through the interviews, the research attempts to reinforce and chronicle the move away from rigid depictions of class that allows for the development of class narrative that tells the story of how the lived class experience is informed by debt relations. Inherent to this narrative is the creation of a flexible definition of class that is capable of shifting with the prevailing moral winds while responding (and possibly creating) new social interpretations of what it means to live the NMC lifestyle, subject to the musings of its authors, or in this case, recent retirees. To chronicle the impacts of debt on class dynamics and uncover the story of class, the interviewees consisted of retired individuals between the ages of 55 and 75 who agreed to take part in audio-recorded semi-structured interviews. The interviews ranged between 45 to 90 minutes depending on the level of engagement with the subject matter.

Thematic questions guided the participants to provide their experiences with debt, including original debt (not quite as powerful as the theme of original sin as many of the stories detailed the love and hate relationships with now classic automobiles) and how they were or were not adequately prepared to effectively manage the obligations associated with assuming debt. Participants were identified through word of mouth and came from a variety of professional and educational backgrounds, although all efforts were made to ensure that participants had a working level knowledge of financial affairs. As a condition of participation, anonymity was provided to ensure fulsome discussions as conversations regarding the assumption and repayment of debt, as evidenced in the interviews, can elicit strong and deeply personal responses. As will become evident throughout this thesis, participants can be characterized as being in the ‘active’ phase as the time elapsed since retirement for participants ranged between 3 months to 9 years, which allowed for in-depth discussions about the concerns and expectations leading up to retirement. The implications of this analysis serve to refine findings and clearly speak to the need for the ongoing development of the *sociology of debt* that is brought forward in the concluding Chapter.

Counting on the New Middle Class

The multifaceted research approach deployed seeks to redefine the key characteristics of class and more specifically, to identify and assess the functions performed by the NMC that arise as a result of debt-biased class relations. While the objective of this thesis openly questions the need and utility in ascribing specific parameters to demarcate class boundaries, clarifying class, and in particular the role ascribed to the NMC from the outset lays the framework for why debt-biased class relations can be viewed as creating the conditions for potential collective action. Of

particular relevance to this approach is viewing interactions with debt as an expansion of Weberian class theory that exposes how individuals direct their efforts towards acquiring the necessary skills required to maximize future opportunities while avoiding the pitfalls of debt dependency. This approach also expands debt discourse to include the role of employment relations as directly impacting debt-biased class relations as the areas of analysis evolve beyond social relations in order to not only focus on flawed-consumers, but to focus on the strategies deployed to remain in good standing that are also impacted by employment. The utility of debt-biased class relations is to gauge the relative health of the NMC as opposed to assessing elites as they stand to benefit from debt given ready access to liquidity and the ability to extricate from debt obligations as required. In this regard, debt-biased class relations outline the agency of the NMC and their struggle to remain credit worthy (for better or worse), to maintain the illusion of the middle-class lifestyle and to aspire to join the ranks of the elite.

For Botero (2004: 987), a “reluctance to move beyond class categories has meant that the wider implications of inequality considered as hierarchy (rather than as ‘class’) have not been explored.” Botero also warns against the dangers of framing modern processes in the language of traditional class discourses as using the terms ‘class conflict’ or ‘exclusion’ narrows the scope of analysis. In this sense, the working definition of class focuses not on classes per se but on inequality trends within society.⁴ Weber’s definition of class allows for the expansion of class discourse to consider diverse social and economic interactions associated with class.

A ‘class’ is any group of persons occupying the same class status. The following types of classes may be distinguished: (a) A class is a ‘property class’ when class status for its members is primarily determined by the differentiation of property holdings; (b) a class is an ‘acquisition class’ when the class situation of its members

⁴ See Myles (2003: 556).

is primarily determined by their opportunity for the exploitation of services on the market; (c) the ‘social class’ structure is composed of the plurality of class statuses between which an interchange of individuals on a personal basis or in the course of generations is readily possible and typically observable. On the basis of any of the three types of class status, associative relationships between those sharing the same class interests, namely, corporate class organizations may develop. (Weber, 1947: 424)

One alternative to traditional class analysis is Beck’s institutional individualization thesis that claims to recognize the possibility of class conflict without classes, albeit the claims to individualization can also be viewed as nothing more than an expansion of Weber’s class definition given that it builds on how individuals direct their efforts towards acquiring the skills to maximize the opportunities for the exploitation of services. Individualization, however, questions collective class agency due to the growing pressures toward reflexive life styles and individualized biographies where meaning and identity are claimed by the individual from within a set of largely prescribed options.

There are two ways of discussing the ‘end of classes’. One is the well-trodden highway of welfare state integration of the proletariat – with the aim of levelling class differences *and* social inequality...; the other approach, which is the one I have taken from the start, is the investigation of the *paradigm shift in social inequality*. Individualization theory is then precisely *not* a theory of pacification (as is implied) but a *theory of crisis*, which furthermore shows, how the transnationalization of social inequalities bursts the framework of institutional responses – nation state (parties), trade unions, welfare state systems *and* the national sociologies of social classes. (Beck, 2007: 680)

There are three features of Beck’s individualization theory that warrant additional research in relation to understanding interactions with debt. Beck, along with Giddens and Bauman, place an emphasis on individualization as being imposed by modern institutions as opposed to individualism that is viewed as being based on personal attitudes and preferences. Secondly, in analyzing institutional individualization it becomes necessary to “distinguish between

institutionally individualized *opportunities* to make decisions and institutionally individualized *obligations* to make decisions” (Beck, 2007: 628). Finally, Beck claims that many of the functions once assigned to “the nation state, the welfare state, hierarchical organization, the nuclear family, the class, the centralized union, are now transferred inward and outward: outwards to global or international organizations; inward to the individual” (Beck: 2007: 682). From a debt perspective, similar questions regarding the individuals’ ‘willingness’ to enter into debt relations does not necessarily equate to, or even necessarily consider the capacity to fulfill the acquired obligations.

From a neo-Marxist perspective the new middle class occupies a contradictory location within the labour process, as it is wage-dependent while also occupying some form of supervisory role or limited control over their labour function. “Since they (the new middle class) are internally stratified, their interests are too. Therefore, objectively speaking, their interests can be those of the capitalist class, or those of the working class or they can be opposite to both” (Carchedi, 1976: 137). Due to the potential for diverse yet overlapping interests, a framework based on ‘agonistic relations’ that captures the relationships of the NMC both internally and towards other classes highlights the importance of viewing class not only hierarchically but to shift the gaze sideways to evaluate peers as allies and competitors.

This is why I propose to distinguish between two forms of antagonism, antagonism proper – which takes place between enemies, that is persons who have no common symbolic space – and what I call ‘agonism’, which is a different mode of manifestation of antagonism because it involves a relation not between enemies but between ‘adversaries’, adversaries being defined in a paradoxical way as ‘friendly enemies’, that is, persons who are friends because they share a common symbolic space but also enemies because they want to organize this common symbolic space in a different way. (Mouffe, 2000: 13)

Beyond the sphere of production, more recent attempts at depicting the educated, salaried and ‘flexible’ NMC have focused on their role in consumption and as purveyors of postmodern culture. Politically, aspirations were for the NMC to act as society’s conscience by playing a mediating role in balancing the opposing interests of capital and labour.⁵ These many and varied attributes allocated to the NMC make it difficult to draw concrete conclusions. Another method could involve viewing the constraints placed on the NMC and how these in turn impact the capacity of the NMC.

While the so-called new middle class, the unionized working class and the unorganized working class can be distinguished in terms of the different capacities and expectations of those in them, they all face what are ultimately the same types of constraint and are subject to essentially the same type of relation with employers. On these grounds they can be seen as distinct status groups of a single class. (Barbalet, 1986: 569)

As Braverman (1974: 407) noted, the NMC are capable of assuming a contradictory role “not because it is outside of the process of increasing capital, but because, as part of this process, it takes its characteristics from both sides”. Analytically, the emerging challenge facing class analysis is to identify the core tendencies that give expression to class conflict without eroding the authenticity of class analysis. Of note here is that the decision-making parameters used to direct the timing and degree of indebtedness do not seem to be nearly as stratified as would be expected from such a heterogeneous collective of divergent interests.

With the growing attention being placed on the ‘one percent’ there has been a greater emphasis on monitoring the contributions of elites. The works of Mosca (1939) and Pareto (1968) that explored elite conflict theory are particularly relevant for the examination of debt as

⁵ Ross (1978:164). “...the rise of the new middle classes has been seen as an occasion to breathe sighs of relief that the menacing polarities of capitalism were over and done with and that a more placid advanced capitalism was at hand.”

multiple elites vie for a share in the profits generated from lending. Elite conflict theory rests on the premise that the fate of the ruling class rests primarily in its own hands as it is only displaced through conflicts with other elites. Gaining a fulsome understanding as to the current condition of elites who stand to gain from imprudent debt usage on the part of the lower classes may help to locate strategies and decisions deployed by elites to avoid the pitfalls of debt dependency. The location of the middle class is therefore, perhaps more adequately articulated as a deviation from the financial patterns espoused by elites as opposed to demarcations from the perceived norms.

Acquiring elite status through fortuitous lineage or formidable accomplishments has held different connotations throughout history. From renaissance men to brutal warriors or simply having the good fortune of being born in an affluent country, different epochs create different elite. Elites are creations of the society within which they interact, as it is not sufficient to make a *claim* for elite status, rather, it has to be *recognized* by others and legitimated through the roles assumed by the elite play. Mills (1956) portrayed the elite as being in the position to choose to make, or not make, decisions that are pivotal to the outcome of society. More broadly, individuals who form the inner circles of the upper class possess the qualities that society values. Perhaps a more amenable depiction as provided by Bauman (2001: 39) is that global elites exhibit the “‘confidence to dwell in disorder’ and the ability to ‘flourish in the midst of dislocation’”. Does the fashion in which individuals acquire financial knowledge and engage with credit contribute to elite legitimacy or stake claims to what it means to have a thriving middle class? Just as the working poor’s integrity and morality were raised into question during the shift to workfare, the integrity and morality of the elite should also be scrutinized to determine the extent to which they are deserving of their status.

The men of the higher circles are not representative men; their high position is not a result of moral virtue; their fabulous success is not firmly connected with meritorious ability. Those who sit in the seats of the high and the mighty are selected and formed by the means of power, the sources of wealth, the mechanics of celebrity, which prevail in their society. (Mills, 1956: 361)

While the elite may or may not possess superior qualities than ‘ordinary’ men, they are bound by the prevailing worth that society attributes to various qualities. Consumer society will clearly *value* economic position but it need not *respect* it. In order to transcend a reliance on economic dominance, the full capabilities of the elite need to be examined in relation to their ability to influence positive societal change as well as the mechanisms within society that promote or hinder the ability and willingness of the elite to act beyond individual and peer interests.

The elite must remain by its very nature a relatively small group despite an increased probability of being overrepresented in power structures and key institutional positions. Mills claimed that due to this smaller collectivity the elite were better positioned to possess a greater knowledge of other members resulting in nepotism-like practices as the elite tend to hire each other, marry each other and frolic in the same prestigious and exclusionary clubs. These tendencies can be viewed as *entrenchment*, or tendencies that reinforce unwillingness on the part of the elite to socialize outside of their own social group as a means of self-preservation. This assertion has been shown to be plausible in the Canadian context as Porter (1965) found significant concentrations of elite interaction across multiple networks namely in major corporations, recruitment, education, and religious and social affiliations in his study covering the 1940-60 period. Clement’s (1977) examination of the elite in the 1970’s found an even greater degree of elite concentration. This excessive concentration of decision-making capacity validates Mills’ concerns that the direction of society is overly influenced by the whims of a

numerical minority. This calls into questions the agency of the NMC in creating individualized risk-biographies in an increasingly pay-to-play society.

With regards to the NMC, the debate may be better situated between a postmodernist vision of the growth of a “new middle class of symbolic specialists instrumental in the spread of new social and cultural attitudes” (Betz, 1992: 97) contrasted against a Kautskian vision of the new middle class as being distinguished from proletariats “based solely on its pretensions” (Burris, 1986: 326). Betz argues that the new middle class emerges at a time of industrial saturation where its primary function is to promote the consumption ethic. The links between consumption and the spread of new social and cultural attitudes towards debt may present a viable theoretical approach to understanding the health of the middle class, however, research findings tend to discount the myth of the profligate consumer as being the source of creating insurmountable debt predicaments. The prevalence of debt usage by the middle class, however, leads me to re-visit Mills and wonder if he was prophetic in signaling that the middle class may be aspiring to a middle course, “when no middle course is available, and hence to an illusory course in an imaginary society” (Mills, 1951: ix).

Touraine claims, “...new battles will be battles for diversity rather than unity, for freedom rather than participation” (Touraine, 2000: 304).⁶ For modern day solidarity, civility and civilizing trends are no longer solely the birthright of the elite and no longer hold the cache

⁶ Touraine’s work on historicity and consumption practices presents another vision for examining the intentions and capabilities of elites. “In his (Touraine’s) general two class model of all social orders, the ruling class dominates by virtue of its control over the development of a society’s historicity. In contrast, the subordinate class is always in conflict with the rulers over “historicity”, either seeking change to its advantage by contesting the rulers’ interpretations of aspects of historicity (promoting evolutionary change) or by seeking to transcend the given historicity and impose new basic modes of thought (leading to revolutionary change). Thus a social system’s historicity, its fundamental self-definitions, will constantly change as a result of class conflict.” (Ross, 1978: 183-184)

once ascribed. Bauman for example discusses civility in the context of individuals knowing and recognizing “what one should hide, what one should not speak about, what one should be ashamed of” (Bauman, 1995: 54). Similar to Alexander (2000) and his characterization of the attributes required for a functional democracy, Bauman also contemplates the civil order as a model that strives to limit and repress passions. The repression of passion is hidden within Bauman’s *being-for* in that the invocation of sympathies pales in comparison to other more abrasive emotions: “Once identified with the realm of being-for, the realm of morality is enclosed in the frame of sympathy, of the willingness to serve, to do good, to self-sacrifice for the sake of the Other” (Bauman, 1995: 60).

Just as the constituents of the elite are subject to having the characteristics, capacities and possessions valued by society, the tendencies of the elite to actively engage with lower classes need not be based on a conflict model that carves out the ‘one percent’ against the masses. The ability and willingness of elites to engage is restricted by territorial boundaries, distinct legislative and institutional inducements and impediments. Furthermore, tendencies that support elite solidarity and broad engagement are unlikely to develop homogeneously or at the same pace when viewed from a global perspective, therefore, the degree to which solidarity can be expressed uniformly differs dramatically. Whether solidarity is conceived as being generated through sympathies and self-sacrifice or by challenging the existing structures of domination, in order for the elite to have the capacity to assume the place (or exchanges place with) the Other, there needs to be a greater common understanding of the roles being assumed by the Other. As a result, elite solidarity is characterized by quests for self-awareness and the drive to negate both inter and intra-class conflict. The objective of inter-class solidarity is having the ability to experience first-hand the pervasive inequalities and challenges as they are experienced by other

social groups. Does solidarity come into play when considering the impacts of indebtedness and the strategies that are being deployed to minimize the deleterious effects of debt? Furthermore, are old and new middle class distinctions still relevant when trying to identify deterrents to intra-class solidarity? Has the relevance of the labour relation been overshadowed by globalization and access to credit? Is it even possible to make claims to owning one's own labour power when large percentages of income are immediately devoted to taxes and satisfying debt payments? This is a very real situation faced by the majority of wage earners. Subjection in the employment relation may now be more pronounced as a result of being paid higher wages that support access to greater levels of indebtedness and diverse roles of capital.

The dominated classes are no longer defined by wretchedness but by consumption and the tasks they carry out, hence by dependence on the forms of organization and culture worked out by the ruling groups. They are no longer excluded, they are integrated and used. (Touraine, 1971: 74)

This predicament was famously depicted by Mills (1951), who viewed the NMC as being dominated despite their seeming claims to heightened social status.

But your authority is confined strictly within a prescribed orbit of occupational actions, and such power as you wield is a borrowed thing. Yours is the subordinate's mark, yours the canned talk. The money you handle is somebody else's money; the papers you sort and shuffle already bear somebody else's marks. You are the servant of decision the assistant of authority, the minion of management. You are closer to management than the wage-workers are, but yours is seldom the last decision. (Mills, 1951: 80)

Wright for example, identified control of investment, control over means of production, and control over labour power as functions of control performed by capital (Barbalet, 1986: 559). It is within these social relations that the emergence of a NMC can be understood, whether this occur in the Marxist tradition of viewing class as a relation to the means of production or Weber's relational view premised on market capacities. "Nevertheless, it is still the case that at

their core, both class concepts involve the causal connection between (a) social relations to resources and (b) material interests via (c) the way resources shape strategies for acquiring income” (Wright, 1996: 695). The relevance of debt is particularly pronounced in relation to this third area as conceptions of productive debt (deployed to earn future market advantages) and non-productive debt (deployed to sustain life) convey advantages and disadvantages that shape and limit the accessibility of material interests. In this regard, from a class perspective, perhaps debt is embedded in what Poulantzas would equate to political and ideological relations provided that debt reflects the capability of securing the reproduction of the dominant mode of exploitation by allowing the NMC to mediate conflict and stabilize class tensions.

By “exploitation” I refer here to the capacity of an individual or class to appropriate the labor of another, whereas “domination” refers to the ability to command the obedience of another. For Marx, class relations, conceived as relations of economic exploitation, are clearly paramount. Relations of political and ideological domination are secondary in the sense that they arise either as a means of securing the conditions for exploitation (as in the laws that guarantee the rights of private property), as a means of realizing or intensifying the degree of exploitation (as in the various forms of capitalist domination over workers at the point of production), or as a means of stabilizing and reproducing the relations of exploitation (as in the powers that capitalists exercise through the state, the media, etc.). For Weber, relations of domination are in no sense subordinate to the goal of exploitation. Individuals sometimes seek dominance over others as a way of exploiting their labor, but they also pursue it for the social prestige it entails, and sometimes they pursue it purely for its own sake. If anything, domination is the more fundamental concept in Weberian theory. In Weber’s writings the meaning systems that underpin different forms of authority (traditional, charismatic, rational legal) are more important in defining the nature of societies than any typology based on forms of exploitation. (Burris, 1987: 79)

For Poulantzas, this reproduction of social relations was the responsibility of the state.

“The principal role of the state apparatuses is to maintain the unity and cohesion of a social formation by concentrating and sanctioning class domination, and in this way reproducing social

relations, i.e. class relations.” (Poulantzas, 1975: 24-25). Access to credit also contributes to the perception that mobility between classes is not only attainable but also desirable as a method of dissolving conflict. The NMCs true ability to leverage the opportunities afforded by credit while avoiding the pitfalls of debt dependency remains the central concern for the relevance of any class analysis based on debt relations.

In other words, while it is true that the agents themselves must be reproduced – ‘trained’ and ‘subjected’ – in order to occupy certain places, it is equally true that the distribution of agents does not depend on their own choices or aspirations but on the reproduction of these places themselves. (Poulantzas, 1975: 29)

Debt relations require an extension of the analysis of domination and conflict beyond the workplace while recognizing the importance of the wage relation as the purveyor of dependent participation, exhibiting the expected behaviours necessary to qualify for the right to be exploited. In addition, debates localized in a solitary workplace fail to consider the ramifications of dual-income households and the ascendance of women in the workplace that relegate supervisor/worker distinctions to dated and ineffectual attempts to draw class boundaries. Can any relevant distinction be made based on divisions between worker and supervisor without knowing the percentage of labour income that is retained by the employee? Secret knowledge that would anticipate market outcomes would be of far greater economic value than the knowledge of a production process.

This is why the role formerly played by attachment to one’s trade is today played by attachment to one’s space. The worker is not defending himself simply as a worker, but more broadly as a member of a community, attached to a way of life, to bonds of family and friends, to a culture. (Touraine, 1971: 55)

Reducing the relevance of the workplace on class formation has no bearing on the pivotal role played by the firm and the workplace with regards to identity formation. As a result, class

analysis when viewed from a debt perspective will consider the projected future life chances and opportunities for income as opposed to establishing class boundaries on current realities. Debt represents negotiated futures where claims to class outcomes are premised on respecting specified conditions, the driver of which remains the employment relation. In traditional class theory, this aligns to a Weberian understanding of class situation to the extent that the distribution of goods and opportunities for income exists, albeit with an extended timeframe for realization.

When viewing class through a projected future as opposed to a negotiated past, class structure no longer needs to be viewed distinctly from class formation or class consciousness as in the event of their materialization, it will occur within a set future cycle of occurrences. Class actors will recognize and understand class interests when the future promise of ‘playing by the rules’ is nullified en-masse by an unprecedented coalescence of tensions, instantaneously prompting collective responses despite differing life courses up to that point. Until that point however, conceptualization of class consciousness will be beyond the individuals’ awareness. Exploitation is based not only on the effort required to satisfy debt obligations but also on the ongoing and structured interactions that bind credit and the promise of future opportunities that has the capacity to exchange the ‘exploited’ and the ‘exploiter’ via market-based outcomes. More precisely, this would involve a rapid erosion of ‘life chances’ that lays the foundation for harmonized class interests that would not necessarily find representation through formal organization such as political parties and unions.

What is being proposed is the possibility of individualized frames of exploitation, independent of work relations, where “conflicts associated with social inequality thus appear as

conflicts between parts of an individualized biography,” (Beck & Beck-Gernsheim, 2002: 49). The response to the ‘organized irresponsibility’ of globalization remains class action.⁷ This does not, however, contradict the theory of exploitation, as this future eventuality will impact individuals regardless of the efforts and skills possessed.⁸ Perhaps it is this future uncertainty that results in what Beck referred to as the individualized risk biography representing “a state of permanent (partly overt, partly concealed) endangerment” (Beck & Beck-Gernsheim, 2002: 3). The response to irresponsibility and endangerment is access to credit and the burden of debt relations as expressed as a social contract, the promise of future standards of living and opportunity that ultimately gives rise to the death and re-birth of class.

A class that has become functionless may disintegrate and be supplanted overnight by a new class or classes. Also, the chances of classes in a struggle will depend upon their ability to win support from outside their own membership, which again will depend upon their fulfillment of tasks set by interests wider than their own. Thus neither the birth nor the death of classes, neither their aims nor the degree to which they attain them; neither their cooperations nor their antagonisms can be understood apart from the interests of society, given by its situation as a whole. (Polanyi, 2001: 159)

For its part, debt may provide the means through which to measure the growing likelihood of class formation by not only examining societal debt levels but also in viewing the hypothetical class tensions that would exist through restricted access to credit markets. How individuals learn

⁷ Beck (2008: 796) “Globalization is not a choice. It is nobody’s rule. No one is in charge, no one started it, no one can stop it. It is a kind of organized irresponsibility.”

⁸ Sørensen (2000: 1528) “The core process defining class relation, in Marx’s class concept, is exploitation; that is, the process by which one class obtains an economic advantage at the expense of another class. In feudalism, the exploitation is transparent—the lords of the manor appropriate some of the product of the peasant, or, even more transparently, force the peasant to work for the estate for part of the work week without a wage. In capitalism, the exploitation is hidden, as the worker presumably voluntarily agrees to work for a wage.”

to benefit from indebtedness, and the indebtedness of others, remains an area of conflict that has not been comprehensively assessed nor linked to broader potential class implications. Graeber (2011: 391) claims that the fallacy behind the logic of debt is that only some people have to repay their debts and that no one has the right to tell us what we truly owe. This call to arms, to wipe the slate clean and start anew, is nothing less than a desire to recast class discourse. However, before establishing class boundaries resulting from debt-biased class relations, the nature of debt and by extension credit requires further analysis.

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Chapter 2: Credit and Class

Credit has not always enjoyed such a privileged position with people engaged in lending practices being on the precipice of eternal damnation and generally despised by the masses (MacDonald & Gastmann, 2001). Intriguingly, financial solutions such as microcredit are now defended and promoted as a ‘human right’ and as a remedy to assist the disadvantages in generating sufficient income for food and shelter. If, and how, a society forgives debt goes to the heart of what a society values (Mann: 2002: 2) and the rules for absolving oneself from debt were never ironclad. Economic turmoil has been the genesis of new approaches to intervention for centuries. Galbraith (1975) notes that colonial experiments with various forms of repayment and legal tender included trade in grain, cattle, whisky and brandy, amongst others. These experiments drew the attention and condemnation of England.⁹ Historically the repercussions for inappropriate debt dealings have been severe. Debtors have been subjected to public embarrassment, imprisonment, losing an ear (or worse) and death.¹⁰ And if death weren’t

⁹ Galbraith, John K. (1975: 55). “Writing in 1900, Charles J. Bullock, soon to become a Harvard professor and a respected authority on colonial finance, described the colonial monetary experience as a “carnival of fraud and corruption,” a “dark and disgraceful picture.””

¹⁰ Rafeal Efrat (2005: 370-373) traces the evolution of bankruptcy stigma and details some of the methods used in the past to deal with bankrupt debtors. “In Ancient Rome, the debtor was auctioned off for sale in the middle of the commercial center in town. In pre-modern Italy, insolvent debtors were brought naked to a public square where they were required to bang their buttocks on a specially designated rock before a heckling crowd. During the 17th century in Scotland, bankrupts were required to wear a distinctive coat and cap, half yellow and half brown, in public. Similarly, in France, the bankrupt was carried to the center of the market place where commencement of his bankruptcy was publicly announced. Further, to avoid immediate imprisonment, the bankrupt was ordered to regularly wear a green bonnet. When bankrupts appeared before a judge, they were required to expose their naked bodies...In the ancient bankruptcy code of India, creditors were first allowed to remove a hand, then an eye of bankrupt before killing him....In Ancient Greece, debtors had to surrender their children to be exported as slaves, and debtors had to forfeit their citizenship...(In Ancient Rome) In cases of multiple creditors, Rome's Twelve Tables authorized the creditors to carve up the body of the debtor as a symbolic way of obtaining repayment.”

punishment enough, the sin of non-payment extended to the family, descendants and could not be escaped in the afterlife.

An example of this practice is the impounding of the mummy of the deceased in Egypt [to shame his descendants into paying his debts]. Another example is the belief in some Asiatic religions that whoever fails to keep a promise, including a promise to repay a loan and especially a promise guaranteed by an oath, would be tortured in the next world and consequently might disturb the quiet of his descendants by evil magic.

The repercussions of not satisfying debt obligations were very much a public spectacle. The public evidence of debt failings in modern day Canadian society is, however, more challenging to analyze, particular from a class perspective as depicted here:

Thus, someone may own expensive consumer goods that used to denote a successful career and yet still be poor – for example, if he or she lives off benefits and has to look after several children who arrive hungry at school – or else may live in a bungalow, have large debts and be threatened with the abyss as a result of unemployment or divorce or both. Is this a case of being still-rich or already poor? (Beck and Beck-Gernsheim, 2002: 51)

Debt and usury have a rich history, particularly with regards to religious and moral aspects of lending and repaying loans. The character of debt has been openly questioned throughout history as it was one of the few areas that united world religions and was viewed with universal condemnation. Judaism, Islam and Christianity all held negative views of usury and actively discouraged its practice. Lending with interest was passively tolerated by the world's religions. Jewish rabbis, for example, inferred that the condemnation of usury in the Bible 'referred only to relations between members of the Jewish community and that usurious practices were permitted between Jew and gentile' (MacDonald and Gastmann, 2001: 46). The Knights Templar are another example of religion's selective condemnation against usury as the Templars were often used as tax collectors for popes and kings, and for good measure, also financed

Crusades at high interest rates. Lenders have also been viewed as another means of extracting surplus tax revenues from the population as rulers would allow lenders free rein and in turn demand exorbitant taxes from them. When the masses appealed to the prevailing authorities or began to exhibit rebellious tendencies, lenders were conveniently found guilty of treason and treated in kind (MacDonald and Gastmann, 2001). Polanyi (2001) discussed how *haute finance* operated behind the scenes as an independent and powerful force capable of maintaining and transforming international relations. “There was an intimate contact between finance and diplomacy, neither would consider any long-range plan, whether peaceful or warlike, without making sure of the other’s goodwill” (Polanyi, 2001: 10). In much the same way as Polanyi indicates that *haute finance* accidentally assumed the function of maintaining peace, debt in modern society has once again become a moderator of conflict.¹¹ Access to ongoing credit hinges on good behaviour of the debtor, and creditors need to balance the accessibility and affordability of assuming debt in relation to the interest that can be extracted.

Racial tensions have also long been associated with debt due in part to religious prohibitions of lending to ‘brothers’.¹² Viewed as an expression of power, the ability to lend money represented control whereas having to borrow money was associated with failure, and the humiliation of having to seek help from outside of the family. Religion’s authority over credit, however, would soon falter coinciding with the expansion of international trade and the need for productive loans. By the 1500’s, the moral authority of religion was being replaced by the lenders’ conscience, which assumed the dual role of judging the morality and ethics of the

¹¹ Weber (1947: 248) also acknowledged the ability of “hands outside the organization” to exert control over the policies of management “by virtue of their power over credit”.

¹² Macdonald and Gastmann (2001: 47) detail the humiliation a Christian would face in seeking credit from a Jewish creditor who were viewed as “bloodsuckers” who lived off of the debts of Christians. The Roman upper classes were also said to have low regard for creditors who were often foreigners, “...in Gaul (modern France), the words for Syrian and banker were synonyms.” (2001: 27).

transaction for both creditor and debtor. Shifts in public perception toward debtors were also being influenced by economic hardships extending beyond class demarcations into the middle classes.¹³ These attitudes were transplanted to the New World as immoral debtors were subjected to strict punishments skewed in favour of the lender.

When the governor, Thomas Mifflin, inspected the prison in 1791, he was struck by the "painful difference" between the "wretchedness" of the debtors' apartment and "the order, the industry, and the cleanliness" of the criminal side. Debtors "languish" in the jail, without clothes, without food, and without fire," while criminals "enjoy every supply that is requisite to maintain life." He concluded that "to be a debtor, would seem to be more offensive to the laws, than to be a criminal; and to be unfortunate, must, sometimes, be more fatal, than to be vicious." Mifflin urged the legislature to make some provision for the material comfort of imprisoned debtors. Nothing happened. (Mann, 2002: 96)

This debasement of debtors throughout history has remarkably transformed from sin to one of entitlement where consumer credit becomes viewed a rite of passage through stages of life and as the case study of micro-credit illustrates, is now even regarded as a solution to inequality. The democratization of debt, however, remains a relatively new phenomenon as the extension of credit "has more frequently consisted in an appeal to ethical obligations" (Weber, 1947: 181). Credit cards, for example, only enter the scene at the start of the twentieth century and were issued only to the most valued customers, ascribing prestige to the method of purchase.¹⁴ New methods of convincing consumers to spend were emerging and the threats of default began to take on new forms. Imprisonment and mutilation were replaced with the threat of losing access to easy credit. The democratization of credit is, therefore, closely linked with its bureaucratization, which depersonalizes informal lending practices while promoting a consumer

¹³ Reed and Bekar (2003: 352). "Using 14th century data, McCloskey (1976) calculates that on average, even relatively wealthy English peasants could expect to face "disaster" every 13 years."

¹⁴ See Hendrickson (1972: 49).

ethos that serves to ‘fix’ flawed consumers. Poor credit ratings can have a profound impact on an individuals’ ability to lead a conventional middle class lifestyle, in much the same way that the Medici forced the displacement and exile of delinquent debtors.

In England in the 1600’s, it was not unusual for a debtor to find himself incarcerated and subjected to torture and execution. Such were the repercussions of questioning the distribution of fortune and failing to work.

Calvinism put an end to all this, and especially to any benevolent attitude toward the beggar. For Calvinism held that the inscrutable God possessed good reasons for having distributed the gifts of Fortune unequally. It never ceased to stress the notion that a man proved himself exclusively in his vocational work. Consequently, begging was explicitly stigmatized as a violation of the injunction to love one's neighbor, in this case the person from whom the beggar solicits.

What is more, all Puritan preachers proceeded from the assumption that the idleness of a person capable of work was inevitably his own fault. But it was felt necessary to organize charity systematically for those incapable of work, such as orphans and cripples, for the greater glory of God. (Weber, 1978: 588)

Numerous documents from this time period that question the motives behind securing the body of debtors behind bars as it robs the King of a willing and able body capable of providing valued (productive) services. There appears to have been in fact, two main avenues of seeking relief for the ‘poor distressed’ prisoners of debt. The first was in appealing to the law of God in that many people incarcerated in prison for debt (upwards of 40,000 in 1690) were ‘good’ men being prevented from seeking employment to pay off their debts.¹⁵ These attempts also appealed to the Christian conscience of the creditor. A second avenue was to implore the King with economic (as well as Christian) arguments as illustrated below.

¹⁵ Anon. *A Plea for the city orphans and prisoners for debt humbly offered to this present Parliament*. Early English Books Online (London: Printed and sold by Randal Taylor over against Stationers Hall near Ludgate) 1690.

I am not learned enough to give a perfect accompt of what induced former Ages not to permit Capture of the Body in Debt and Damages: but I have heard, and found Reafon agreeth with it, That they Esteemed the Body the moft precious thing, and would not fuffer the Common-Wealth to be robbed of its meanest Member. (Anon, 1690: 17)

Years prior to the above statement being recorded, a previous attempt at freeing the body was made that spoke to the miseries and afflictions of imprisonment (including torturing the prisoner in order to extract payment from his friends) along with a plea that creditors seek satisfaction solely from the debtors estate and no longer upon his body.¹⁶ The critical process through which the debt-ridden body is created, maintained and ultimately reproduced through generational mediocrity is found in the process of production. The production process is heavily influenced by *lean* ideology that strives to eliminate waste wherever possible through a reduction of the physical space required in the process coupled with an intensification of work itself.

There are two sides to this project. The economic side of the lean state is the reproduction of the flexible worker, willing and able to work in a variety of situations with limited expectations in terms of security, wages and working conditions. On the cultural side, the lean state promotes the ethos of the lean person, driven to maintain herself at the highest level of fitness while avoiding sloth and self-indulgence. (Sears, 1999: 99)

Where debt relations were historically largely entered into through face-to-face relations, banishment and exile had profound consequences. Arguably, the financial relationship had emerged ascendant over the labour contract as the means from which opportunity could be derived and depriving access to credit was akin to starvation. Whether the absolution of the debtor resulted in a clean slate or ongoing hardship, mobility (or lack thereof) remains a mechanism of ensuring justice is served. Bauman (2001: 140) has argued that modern day

¹⁶ Anon. *Imprisonment of mens bodyes for debt, as the practise of England now stands is against the law of God*. Early English Books Online. (London) 1641.

power is evidenced in one's ability to "break the bond and to escape dependence unilaterally." Financial indicators clearly illustrate that the capacity to proactively assess and escape these obligations for the vast majority of Canadians is on the decline with potentially profound impacts on the body. The application of credit follows a similar path to that of investments in the body. Concepts such as early diagnosis and intervention apply equally to both discussions. The life cycle of debt usage where the credit helps individuals prepare and succeed in adult life is akin to viewing the temporalized body as nothing more than an accounting ledger with periodic reporting requirements. Hard bodies for hard times require the elimination of waste and the creation of flexible workers, mobile and willing to answer the call of employment wherever and however it makes itself available.

Prophets and Swindlers

Several aspects of credit remain open to interpretation but let us begin where a semblance of agreement exists. The notion of 'trust' and 'growth' for example, is a constant in credit literature. "The actual word "credit" comes from the latin credere, meaning to trust. This trust allows credit to be created and used, while a lack of trust can destroy it" (Macdonald & Gastmann, 2001:7). The following definitions outline the core concepts of credit as being premised on a mutually beneficial arrangement:

Credit is anything which is of no direct use, but which is taken in exchange for something else, in the belief or confidence that it can be exchanged away again.
Credit is therefore the right, or power of demanding something else when we require it. It is the right to a future payment; and we observe that it is not the transfer of something else, but is itself the name of a certain species of exchangeable property.
(MacLeod, 1866: 18)

The term "credit" in the most general sense will be used to designate any exchange of goods presently possessed against the promise of a future transfer of disposal over

utilities, no matter what they may be. The granting of credit means in the first instance that action is oriented to the probability that the future transfer of disposal will actually take place. In this sense the primary significance of credit lies in the fact that it makes it possible for an economic unit to exchange an expected future surplus of control over goods or money against the present control of some other unit over goods which the latter does not now intend to use. Where the action is rational, both parties expect an improvement in their position, regardless of what it consists in, over what it would be under the present distribution of resources without the exchange. (Weber, 1978: 81)

It can then be argued that credit was measured to some extent on trust, trust in a debtor's obligation to pay in the future and a belief on the part of the debtor that they would in turn be afforded the opportunity to satisfy these debts. For the provider of credit, they have received the right to demand payment as per the terms of the lending contract. In Western society this is typically viewed as a financial undertaking underpinned by the exchange of money and backed by tangible reserves in the form of precious metals or as a percentage of bank liquidity. This would imply that satisfying debts should be re-paid in kind, however, debt repayments has a long and varied history which previously witnessed the satisfaction of debtor's obligations being extorted via land transfers, debt-peonage with family members being transferred as collateral and ultimately debt-servitude of the individual debtors themselves.¹⁷ The primary mechanism of repayment results in the borrower having been granted the opportunity to accumulate capital that otherwise would not have existed.¹⁸ What remains very much in play is to determine if debt is,

¹⁷ Graeber (2011: 65) notes that in ancient Sumerian and Babylonia that rulers, in order to avert societal breakdowns and appease the population, deployed debt amnesties. "Before long, it became a more or less a regular habit for kinds to make such a declaration on first assuming power, and many were forced to repeat it periodically over the course of their reigns. In Sumeria, these were called "declarations of freedom" – and it is significant that the Sumerian word *amargi*, the first recorded word for "freedom" in any known human language, literally means "return to mother" – this is what free debt-peons were finally allowed to do."

¹⁸ MacLeod (1882) also describes the word capital as being "derived from the word *Caput*, which is the root of a plant, or the source of a spring, or the source from which any increase flow.

as Graeber (2011) claims, a perversion of a promise, or the foundational pillar of equality of opportunity.

Debt-peonage and the exchange of resources as mechanisms to measure debt provides evidence that the repayment of debt, the IOU promise, predated the circulation of coins which in turn shows that credit may have been nothing more than a convenient mechanism to measure and monitor commitments.¹⁹

But the most shocking blow to the conventional version of economic history came with the translation, first of hieroglyphics, and then of Mesopotamian cuneiform, which back scholars' knowledge of written history almost three millennia, from the time of Homer (circa 800 BC), where it had hovered in Smith's time, to roughly 3500 BC. What these texts revealed was that credit systems of exactly this sort actually preceded the invention of coinage by thousands of years. (Graeber, 2011: 38).

Credit theories of money, or nominalist approaches, that view credit as not only preceding money but actually as being or taking the role of money as a measure of exchange directly challenged the more traditional metallist point of view that saw credit as simply filling the gap left when there was insufficient flow of tangible liquidity (i.e. real money) to allow for the circulation of goods and resources.²⁰ One method of determining the character of credit is determined through the interactions of buyers and sellers, however, the valuation of credit and the corresponding debt-servicing obligations can assume varied forms. Once removed from the

Hendrickson (1972) links the origins of capital as being derived from cattle. "Cattle were a desirable commodity for trade, and for money, because they supplied everything: meat, milk, hide, bone and transportation." (Hendrickson, 1972: 139).

¹⁹ Graeber (2011: 39) again uses Sumeria to illustrate how the development of money was in fact tied to resources as the weight of a shekel was based on a bushel of barley, whereby money was a convenient tool to track resources.

²⁰ Galbraith (1997: 4) "In the good society all of its citizens must have personal liberty, basic well-being, racial and ethnic equality, the opportunity for a rewarding life. Nothing, it must be recognized, so comprehensively denies the liberties of the individual as a total absence of money."

bindings of coinage, we can illustrate how different interpretations of debt can impact and modify understandings of class once we acknowledge that class and debt do not need to be considered as two sides of the same coin. Karmic debt, for example, shifts the focus to include aspects of the spirit and views the means of acquiring wealth to repay debts as perpetually damning.

An obscure and unusual view in classical Indian Buddhism, the notion of karmic debt took on a powerful new life in China. As one Three Stages text puts it, we all know that insolvent debtors will be reborn as animals or slaves; but in reality, we are all insolvent debtors, because acquiring the money to repay our temporal debts necessarily means acquire new, spiritual ones, since every means of acquiring wealth will necessarily involve exploiting, damaging, and causing suffering to other living beings. (Graeber, 2011: 262)

Here, the underlying premise of credit that the lender and borrower can come to terms to mutually end the obligation is seen as an unobtainable goal as debt operates within and through multiple spheres. Another formulation of debt posits that everyone comes into existence owing a debt to our ancestors for structuring the society that new generations will in turn shape. This primordial debt lens makes it possible to view babies as emerging with pre-established balance sheets, beginning their lives in a deficit position solely for having stepped foot into the world. With no claims to income, the ability to appease creditors can only be derived from access to credit, to acquire tangible offerings to negate the debt. The question remains, however, to who or what are we paying tribute to and why? Given that credit is always accompanied by the promise and obligation of repayment, the system cannot be maintained without the deployment of credit to create new markets and wealth creation opportunities.

The two characteristics immanent in the credit system are, on the one hand, to develop the incentive of capitalist production, enrichment through exploitation of the labour of others, to the purest and most colossal form of gambling and swindling, and to reduce more and more the number of the few who exploit the social wealth; on the

other hand, to constitute the form of transition to a new mode of production. It is this ambiguous nature which endows the principal spokesmen of credit from Law to Isaac Pereire with the pleasant character mixture of swindler and prophet. (Marx, 1970: 441)

The monitoring of credit, its accumulation and exchange into debt coupled with its future discharge were also considered as instruments of oversight and regulation that were embedded in the opportunities resulting from the transfer of credit. To consider credit in this fashion, as constituting a reward for believing in a social economic system, downplays the role of government policy and of social actors in structuring the limits of the negotiation between buyer and seller.

So some debts are not money debts: they are moral debts, or debts having to do with imbalances in the right order of things. Thus, in any consideration of debt, the concept of the balance is pivotal: debtor and creditor are two sides of a single entity, one cannot exist without the other, and exchanges between them – in a healthy economy or society or ecosystem – tend toward equilibrium. (Atwood, 2008: 163)

Who is best suited to restore equilibrium? The microcredit example coupled with the experience of recent retirees provides further evidence that role of government in debt is not something that need be relegated to the periphery. Another consideration regarding debt financing is its role in stimulating the pillars of the economy. If there is general agreement on credit being allocated in part to contain disruptions in the here and now with the promise of future harmonization of obligations, i.e. wiping the slate clean, then a distinction between *industrious* versus *consumption* debt is implied. And in the much the same fashion as this thesis argues for a shifting conceptualization of debt relations that is impacted by the prevailing moral order, *industry* itself is prone to reinterpretation. When history speaks of Cortes or the Crusades we are not necessarily speaking of daring adventurers following the callings of their faith but are instead speaking of indebted knights and soldiers taking on heightened risk to appease their creditors and

extricate themselves, by whatever means necessary, from debts' vice. In this way, debt can be viewed as continually driving innovation as debts cannot be settled with present day profits but with profits that are intangible until their future materialization.²¹ The point of 'sale' therefore, becomes an exchange of potential manipulation and exploitation that benefits the seller that affords the owners of present day capital a distinct advantage over buyers.

I am inclined to think that the explanation may be found in the disturbance of the equilibrium between buyers and sellers to which I have already referred. Money is easier to come by than it would be under ordinary circumstances, and, while the power of the buyer to obtain the highest possible price for his goods is not diminished, the desire of the buyer to pay as little as possible is lessened, his resistance is weakened, he loses the tug of war. A general spirit of extravagance is engendered, which enables the seller to win as against the buyer. Money really loses its value in the eyes of the buyer. He must have what he wants immediately, whether the price is high or low. On the other hand, the excessive ease with which a capitalist can obtain credit, enables him to hold up commodities speculatively, for a higher price. It puts a power into the hands of the speculator which he would not normally have. (Mitchell-Innes, 1914 (2004))

Similar arguments are raised by Weber and Marx and speak to the high stakes involved during exchange:

But there is a difference, that in the present situation the interests of huge masses on a long-term basis would be at stake; and for the great masses of the low-income groups, the marginal utility of present consumption is particularly high. Thus there would be a probability that goods urgently needed could only be obtained on unfavourable terms. (Weber, 1947: 181)

The social relationship in which I stand to you, my work for your need, is also a mere appearance and similarly our mutual completion is a mere appearance for which mutual plundering serves as a basis. An intention to plunder and deceive is

²¹ Graeber (2011, 49-50) provides an intriguing argument as to how the provision (and arguably the restriction) of credit can bring about new markets. "On the other hand, if one simply hands out coins to the soldiers and then demands that every family in the kingdom was obliged to pay one of those coins back to you, one would, in one blow, turn one's entire national economy into a vast machine for the provisioning of soldiers, since now every family, in order to get their hands on the coins, must find some way to contribute to the general effort to provide soldiers with things they want. Markets are brought into existence as a side effect."

necessarily in the background, for since our exchange is a selfish one both on your side and on mine, and since each selfishness tries to overcome the other person's, of necessity we try to deceive each other. Of course, the measure of the power that I gain for my object over yours needs your recognition in order to become a real power. But our mutual recognition of the mutual power of our objects is a battle in which he conquers who has more energy, strength, insight, and dexterity. If I have enough physical strength, I plunder you directly. If the kingdom of physical strength no longer holds sway, then we seek to deceive each other and the more dexterous beats the less. Who defeats whom is an accident as far as the totality of the relationship is concerned. The ideal intended victory is with both sides, i.e. each has, in his own judgement, defeated the other. (Marx, 2000: 130-131)

For his part, Mitchell-Innes had the privilege of witnessing the rise of the modern day speculators. These were not the banks, but retailers who rewarded valued customers with credit cards signifying the prestige and reputation of the bearer. Retailers were responsible for initial credit cards, instalment plans and conducting background checks “decades ahead of the banks.” (MacDonald & Gastmann, 2001: 227). Symbols of social mobility were no longer temporally bound to the purchasing power of the present, however, workers could ill-afford the reputational damage in the event of default. In the act of purchasing, the buyer is in fact selling a claim to his future capital, the education and talents that serve to attain this appropriation are no longer fully possessed by the buyer until such time as the creditor is made whole. This scenario does not need to find itself at odds with labour theories of exploitation and the extraction of surplus value, instead, it represents the capacity of capital to exploit both the producer and the buyer, who enter into the negotiations disadvantaged by their need for the immediate use of the good or the return on the good. This would imply that the wages of the buyer are in fact devalued from a purchasing power perspective which promotes even greater wealth discrepancies between those with ready access to capital and those who are forced to borrow to subsist.

Situating Debt-Biased Class Relations

While credit is at times used imprudently to satisfy needless consumption, for the vast majority it is acquired and deployed as a necessary means of survival not to enhance, but to maintain living conditions and opportunity for future income. “Although the objectives of governments, multinational corporations and individuals are different, the need for credit is the same. In a sense, credit is like water. It is a key wellspring of life – in this case, economic life (MacDonald & Gastmann, 2001: 3). The number of sales and exchanges that bind governments to corporations to individuals – such as education, marriage, housing, taxes – and the rules that govern freedom from which these exchanges are willfully entered into have resulted in a society where an ever growing percentage of the population is subjected to heightened levels of stress and financial obligations. The two-fold future promise, on the one hand of being able to appease your creditors and the ideal of upward financial mobility on the other are all calling into question whether or not the good life is actually within reach. The democratization of debt, or what Graeber would refer to as a *crisis of inclusion*, calls for credit extension to the most vulnerable on non-predatory terms and makes credit a formal component of everyday life, however, where is the movement calling for this right to be extinguished? Graeber (2011: 375) cites examples of “financial chaos, food riots, oil shock, widespread doomsday prophecies of the end of growth and ecological crisis – all of which, it turned out, proved to be ways of putting the populace on notice that all deals were off.”

Where questioning class begins to pay dividends, however, is when the concept of debt is woven into traditional class metanarratives such as production, supervision and conflict to determine the extent to which debt relations can augment the historical analysis of class actions. Marx and Weber spoke to the importance of credit and debt, however, both men appeared to hold

the view that any revolutionary capacity created solely through debt relations had eroded, having been replaced by the workings of the modern industrial economy and wage labour.

The class struggles of antiquity - to the extent that they were genuine class struggles and not struggles between status groups - were initially carried on by peasants, and perhaps also artisans threatened by debt bondage and struggling against urban creditors. For debt bondage is the normal result of the differentiation of wealth in commercial cities, especially in seaport cities. A similar situation has existed among cattle breeders. Debt relationships as such produced class action up to the days of Catilina. (Weber, 1982: 64)

However, such conflicts as that between creditors and debtors, the latter often being a question of urban patricians as opposed to either rural peasants or urban craftsmen, may lead to revolutionary conflict. Even this, however, need not necessarily aim at radical changes in economic organization. It may, on the contrary, be concerned in the first instance only with a redistribution of wealth. These may be called 'property revolutions'...The conflict of outcast against property classes, of creditors and debtors, and of landowners and outcasts are best illustrated in the history of Antiquity. (Weber, 1947: 426)

Usury has a revolutionary effect in all pre-capitalist modes of production only in so far as it destroys and dissolves those forms of property on whose solid foundation and continual reproduction in the same form the political organization is based. (Marx, 1970: 597)

While Marx places most of his focus on interest-bearing capital within productive relations, he also touches upon the social capacity assumed by credit that held the capacity of both 'ruining' landowners and 'impoverishing' small producers.

Usury centralizes money wealth where the means of production are dispersed. It does not alter the mode of production, but attaches itself firmly to it like a parasite and makes it wretched. It sucks out its blood, enervates it and compels reproduction to proceed under ever more pitiable conditions. (Marx, 1970: 596)

Wherever there was a 'contingency' that could be exploited, usurers would deliver credit. This was a relationship Marx identified as being akin to capitalist exploitation though not based on the mode of production. As a tool of domination, the control of credit also supplemented the existing

political order.²² Polanyi, for example, attributed ‘haute finance’ as a purveyor of powerful social instrumentality that through the growing importance of international trade became linked to diplomacy and a wider ‘peace interest’ throughout the Hundred Year’s Peace.²³ The impacts on society of this accord, however, were openly challenged by Marx, and beg the question as to what precisely has been exchanged to secure the peace interest and on what terms.

...Credit is the economic judgment on the morality of a man. In credit, instead of metal or paper, man himself has become the mediator of exchange, only not as man, but as the existence of capital and interest. Thus the medium of exchange has certainly returned and been transferred to man, but only because man has been transferred outside him and himself taken on a material form. Money is not transcended in man inside the credit relationship but man himself has been changed into money or money become incarnate in him. Human individuality, human morality has itself become both an article of commerce and the material in which money exists. Instead of money, paper my own personal being, my flesh and blood, my social value and status, the material body of the spirit of money. Credit no longer analyses money value into money but human flesh and the human heart. This is because all progress and inconsequence inside a false system produces the worst regression and the worst and basest consequences. Inside the system of credit man’s nature alienated from itself confirms itself, under the appearance of an extreme economic recognition of man, in a double way: (1) the antithesis between capitalist and worker and between large and small capitalists becomes even greater in that credit is given only to him who already has and is a new opportunity for the rich man to accumulate; or in that the poor man either confirms or denies his whole existence according to the arbitrary will and judgement that the rich man passes on him, and sees his whole existence depend upon this arbitrariness. (2) The reciprocal dissimulation, hypocrisy, and pretended sanctity is forced to a culmination so that the man who has no credit not only has the simple judgement passed on him that he is poor, but also the moral judgement that he possesses no trust or recognition, thus that he is a social pariah, a bad man. Also the poor man undergoes this humiliation in addition to his privation and has to make a humiliating request for credit to the rich man. (3) Because of this completely ideal existence of money, man cannot detect what is counterfeit in any material other than his own person and must himself

²² Macdonald and Gastmann (2001: 80-81). The authors address the political power held by the Medici who were said to be able “...to blend the power of the purse with that of the sword.”

²³ Polanyi (2001: 16). To further illustrate the power of credit, Polanyi goes on to relay that, “Every war, almost, was organized by financiers; but peace also was organized by them.”

counterfeit, obtain credit by stealth and lies, and this credit relationship both on the side of the man who trusts and of the man who needs trust, becomes an object of commerce, an object of mutual deception and misuse. Here there is still plain in all its clarity the mistrust that is the basis of economic trust, the mistrustful consideration of whether to give credit or not, the spying into the secrets of the private life, etc. of the person seeking credit; the betrayal of temporary difficulty in order to ruin a rival through the sudden shaking of his credit. The whole system of bankruptcy, ghost companies, etc....in state credit, the state occupies exactly the same place as man does above...his play with papers of state shows how he has become a plaything of businessmen. (4) The credit system has its final completion in the banking system. The creation of bankers, the state domination of the bank, the concentration of capital in these hands, this economic Areopagus of the nation, is the worthy completion of the world of money. In that the moral recognition of a man, trust in the state, etc. in the credit system take the form of credit, the secret that is contained in the lie of moral recognition, the immoral baseness of this morality, and the hypocrisy and egoism in that trust of the state come to the fore and show themselves for what they really are. (Marx, 2000: 124-125)

The capacity to thrive amidst disorder and not succumb to the ‘humiliation’ of requiring credit and exposing ‘secrets of the private life’ relies upon not only the equitable allocation of credit, but also on the distribution of financial prowess and the appropriate skills to recognize the stakes for both creditor and debtor.

Discussion

We are left with competing visions of credit, one where credit promotes equality by allowing workers access to and the expectation of deploying credit to participate in the economy. It is however, within the conditions of granting credit where the class situation of the NMC materializes. It is the technical role of the NMC, the class of individuals capable of satisfying the basic requirements to access credit (i.e. employment), to assume the risk on behalf of creditors for deploying their idle capacity in the market. The dual function of the NMC can be clarified once credit is rightfully viewed as mass indebtedness and subjugation to the social and

technical demands required of debt. The social content of the worker is primarily depicted by the necessity to demonstrate desired behaviours in what would be considered morally appropriate ways that are contingent on an inability to attain middle class lifestyles in the absence of incurring debt, more aptly identified as the myth of mutual prosperity. Reliance on credit to access basic entitlements such as education and housing show the decision-making capacity of the NMC, as opposed to that of the creditor, restricted to needs-based analysis as opposed to the risk-based decision-making ideal espoused by individualization theorists. Similar trends to these also emerge when we shift our lens toward identifying tendencies that are exhibited during workplace transformation that parallel the experience of debtors.

When questioning class, the lack of precision surrounding what class means is only compounded by the ambiguity of indebtedness. This ambiguity is precisely the object of this thesis, as clarifying certain key elements will serve to formulate to shape the future development of the NMC. The balance between creditor and debtor, between seller and buyer, and worker and owner and the struggles that shape these allegiances and approaches to debt relations will drive the class dialogue to the most precarious balance associated with class analysis: reform versus revolution, or tension versus transformation. Pivotal to this balance is the promise associated with debt, of being in a position to extinguish the debt and repaying the trust that was transferred along with the financing. This restoration of equilibrium between debtor and seller based on the projected future capacity of the loan recipient to be in a position to accomplish this function forms part of establishing class boundaries and the role of the NMC. The frequency of the negotiations – characterized by work status and income – and their corresponding volatility – based on the mechanisms deployed to minimize the advantage of the seller – represent the foundational pillars required to identify the NMC. Is it possible that class itself has been

deployed as collateral, as the informal measuring mechanism that determines the terms of negotiation that views class as a promise of future payment? Perhaps then, what we are witnessing is nothing more than a newfound “moralizing tax” that not only teaches the value of work but also demands the lean ethos and the deployment of soldiers for an undefined war.

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Chapter 3: Workplace Transformation and the Intensification of Work

Canada provides an intriguing location to explore the ramifications of debt.²⁴ The promise of Canada and the profits that could be extracted from resources were barely sufficient to warrant the up-front financial investment. The monetary burden required the outlay of capital, tying up scarce resources for lengthy cross ocean voyages and being able to stomach the opportunity cost of diverting funds away from the perpetual European cycle of engaging in war or gearing up for the next inevitable salvo. For the inhabitants of Canada in the 17th and 18th centuries there was little choice but to learn how to make due. Atlantic crossings were perilous affairs and supplies of hard money, food, settlers or military support were often delayed, never dispatched, or lost in their entirety. In making due, the dependence on trade goods for exchange was often more reliable than finance, however, as noted by Heaton (1928: 650), the demands of church and state “played a large part in creating a more elaborate commercial structure than would otherwise have been necessary”. These requirements would also assume a pivotal transformative role in debt relationships by displacing local in-person practices with stricter legislative recourse mechanisms and giving rise to impersonal financial obligations and the re-creation of the *Other*.

In the first instance, transferring the absolute authority of the creditor to the legislative arena reduced the opportunities for interaction between creditor and debtor, thereby placing limits on engagement. Forging any notions of solidarity was in turn impeded as the ability to put

²⁴ Schull, Joseph (1958: 117). *100 Years of Banking in Canada: A History of the Toronto-Dominion Bank*. In depicting Canada’s ‘reckless urge towards growth for its own sake’ where ‘Americans built railways to develop their country, Germans for the purposes of war, but Canadians, apparently just for the fun of building them.’

oneself in the imaginary position of the other was for the most part eliminated as a result of the depersonalization of the creditor/debtor relationship, a trend that was permeating throughout the economic powers of the period. The resultant tempered togetherness²⁵ between creditor and debtor was being undermined and replaced by regulated interactions where neither side had the ability to influence the outcome as the individuals' capacity to affect change no longer directly overlapped despite the mutual financial obligations.

For me, this is exactly what's so pernicious about the morality of debt: the way that financial imperatives constantly try to reduce us all, despite ourselves, to the equivalent of pillagers, eyeing the world simply for what can be turned into money – and then tell us that it's only those who are willing to see the world as pillagers who deserve access to the resources required to pursue anything in life other than money. It introduces moral perversions on almost every level. (Graeber, 2011: 389)

Kolish (1986) provides one of the rare accounts of debt practices in Lower Canada. With a research focus on imprisonment for debt, Kolish identifies several trends that continue to shape debt discourse to the present day including the challenges associated with the democratization of debt and the ever-present dilemma of dealing with debtors.

The arguments exchanged by proponents and adversaries of imprisonment for debt in Lower Canada in the 1820's and 1830's differ very little from those which were being used in England and the United States. Opponents appealed to sentiments of charity by emphasizing the unhealthy atmosphere of the prisons, and the lack of separate prison facilities for debtors, perforce lodged indiscriminately with criminals. Newspapers described individual cases involving the sickness or death of debtors in prison, or cases where creditors kept an insolvent debtor in prison for so long that the sum of the weekly pension exceeded the original debt. (Kolish, 1986: 610)

Whereas the British and American systems held thousands in jail for debt, data from Montreal and Quebec suggest the phenomena did not extend to Lower Canada. In fact, the prominence of legal action against debtors was disproportionately linked to British interests in

²⁵ Bauman, Zygmunt (1995).

Canada.²⁶ While this can be attributed in part to the growing prominence of British interests in financial matters, it may also harbour the beginnings of ‘othering’ as the personal interactions and nature of debt obligations prominent amongst Canadians was being replaced by legalistic recourse mechanisms and the transition to the British model. Credit history became a primary means by which ‘identities’ were acquired, and by extension shaped access to encounters both within and between traditional class boundaries.

Transformations occurring in the workplace would continue to displace the traditional role of the family and claims of solidarity. In the late 18th century, new methods of production were re-framing the way people worked, lived and saw the world. A shift away from the family as being the primary economic unit was taking place with the emergence of the factory system which was also responsible for the growth of another booming industry: *alienation*. The administration of progress took on a decidedly Marxist tone through the integration of different production processes at a single site; an elaborate division of labour; a reliance on power-driven machinery; and, new methods of administration (Jackoby, 1985). The parallels between the development of the factory system and the modernization of the labour process will serve to illustrate how the development of half-connections and the intensification of work requirements that were becoming commonplace set the stage for the growth of credit as the only viable option for allowing the masses to cling to the illusion of middle class lifestyles.

A notable shift was taking place in the labour process that was having significant repercussions on the worker and the family unit in the early 19th century. A few years prior to this period the family was still the primary economic unit and families were largely self-

²⁶ Kolish (1986: 615). Statistics show that 85% of writs issues were against British defendants and only 13% for Canadians.

sustainable. Employment in factories was initially used sparingly to compensate for a bad harvest or to acquire funds to further capitalize operations at home. Men and women travelled great distances to combine ‘distant earnings with local ambitions’ (Bitterman, 2006). Within this context, the America economy shared certain traits with the feudal system as the worker lived off of their own knowledge and skills while being responsible for how and when work was performed. What could not have been widely apparent to workers at this time was that their economic activity, or their transformation of nature into useful things, was creating a new set of social relations. These relations were class-based and differentiated based on, “...those who produce the necessities of life and those who live off the produce of others; between those who produce surplus and those who expropriate surplus; between those who are exploited and those who exploit; between peasant and lord: between worker and capitalist” (Burawoy, 1979: 15). The family unit could simply no longer compete with the raw productive capacity of the factory. Workers were forced to either seek out wage-employment or face the prospect of destitution as the market for local goods based on reciprocity and bartering ceased to exist. Remarkably, the coming together of workers in this fashion may have been the first stage in the individualization of labour and of worker’s dependence on the factory to provide the means of subsistence. Despite the hardships of the factory, a majority of people embraced them as a symbol of progress and opportunity.

Early factories supplanted traditional methods of production by mechanizing the labour process wherever possible and installing overseers and foremen to manage the daily output requirements. The integration of production processes at a single site was of paramount importance in the development of alienation. Most importantly, the factory brought workers together under the direct supervision of management *and* each other; secondly, factories served

as beacons to the multitude of immigrants flocking to America such that the supply of willing workers devalued labour even before the labour process had any impact; and thirdly, the establishment of the factory site reduced the bargaining power of the worker and severely limited worker's mobility, which according to Jacoby (1985) had ramifications for workers' sense of "independence and manliness". Workers were becoming ever more reliant on the factory to survive.

Contained within the confines of the factory, a workers previous knowledge amounted to nothing more than romantic visions of foregone days. Family traditions and knowledge previously passed down through generations were replaced by monotonous, repetitive tasks that involved little, if any, mental energy. The division of labour implied that workers now produced but a fraction of the end product. At this point, it is worth exploring Marx's seminal examination of the labour process and its alienating effects in greater detail to understand how debt can be seen as a further evolution of containing alienation and pacifying discontent. For Marx, the worker was alienated from the object of production, from themselves and from others. Alienation occurred because the object was appropriated by the capitalist class, produced in a fashion that provided no sense of accomplishment and produced by workers whose labour power was regarded as a commodity, thus correspondingly controlled by capitalist interests. "With the *increasing value* of the world of things proceeds in direct proportion the *devaluation* of the world of men" (Marx, 1988: 71).

According to the laws of political economy the alienation of the worker in his object is expressed as follows: the more the worker produces the less he has to consume, the more values he creates the more valueless and worthless he becomes, the more formed the product the deformed the worker, the more civilized the product, the more barbaric the worker, the more cultured the work the more philistine the worker becomes and more of a slave to nature. (Marx, 2000: 88)

Marx viewed the demand for increased output and efficiency in the labour process as enslaving the worker, “first in that he receives an *object of labor*, i.e. in that he receives *work*; and secondly, in that he receives *means of subsistence*. Therefore, it enables him to exist, first, as a *worker*; and, second, as a *physical subject*” (Marx, 1988: 72). The greater the output, the more devalued the worker became. With indebtedness being a result of deploying idle capacity and assuming the risks for so doing on behalf of the positively privileged property classes, the alienation of debtors adds to the burden already resulting from existing forms of control and oversight. Labour was made external to the worker, alien, something that confronted the worker as hostile. Without any physical or other coercive incentives to produce, Marx believed that the workers would shun the workplace, as the act of production no longer satisfied the direct needs of the worker. It is within this productive activity, this forced labour, where alienation takes root. If one subscribes to the theory that the labour process can create revolutionary consciousness, the very same process should also be capable of leading to the dispersion or atomization of class consciousness (Ehrenreich, J., Ehrenreich B., 1976).

The division of labour in the factory system reduces the required knowledge to perform the act of production such that the worker is rarely working to the peak of their potential. Swados (1957) depicts several alienating tendencies, or characteristics that serve to externalize the product from the worker as his work illustrates how pride is removed from the act of production and how half-connections in the workplace coupled with little sense of belonging influence the need to get the job done...getting the job done right is secondary. This also served to highlight how an individual worker can be conditioned to self-impose blame and take responsibility for production errors as opposed to blaming the system. The fate of the worker is now linked to the fate of the system. Despite attempts to de-skill workers, the factories still

relied heavily on the capabilities of the worker. Early factories were nothing more than groupings of craftsmen under one roof that could be easily supervised with the mechanization of certain processes. As the factory system matured, a greater emphasis was placed on deploying machinery and technologies that would minimize the factory's dependence on the workers. Management techniques matured from brutal drive systems through to supposedly friendly schemes such as scientific management. In the drive-system personal ties to the foreman or overseer could make or break a worker. Though effective at extracting surplus value, drive-techniques allowed for too much variance in worker output. Contributing to this were technological advancements such as numerical control processes where workers were increasingly being regulated and having their value eroded as they lost control over output. Noble (1979) argued that the profit motive was not the sole driving factor behind the factory system with owners deploying unproven and potentially inefficient technologies for the purposes of gaining control over the labour process. While Noble believed that the technology could potentially create new heroes in the labour process, the alienating effects of losing control to machines and management and other regulating forces should not be underestimated.

Another trend that is often obscured in the debate surrounding alienation is its impacts with regards to family, particularly women and children. Deemed to be creating less value than the men on the farms, it was often women who assumed the first factory roles in the textile industry. Women were deemed to be expendable as their work was not recognized (i.e. paid) at home. As the nineteenth century wore on, in almost every aspect of household work, industrialization served to eliminate the work that men (and children) had once been assigned to do, while at the same time leaving the work of women either untouched or even augmented (Cowan, 2002). Household duties were being fully assumed by women, as men were no longer

learning the skills needed to work at home as this derived no income. The discontent and alienation felt by women trapped in this predicament would have been painful to bear. Where men in the factories found themselves being devalued, women simply had no value other than to make the drudgery of the factory disappear when the man returned home. Furthermore, the responsibility of a parent to provide for the future well-being of their offspring was also jeopardized in part by the wage-based factory system. The generational impact of these alienating trends at home served to reduce the reproduction and dissemination of traditional knowledge limiting the skills of children and ensuring the ongoing dependence of the working class. Surely, these tendencies expanded the breeding ground of alienation from the factory out into the world.

At times lost within the discussion of alienation is the role that unions assumed throughout the evolution of the factory system, particularly with regards to technological change. The power of unions cannot be maintained without constant struggle and a union's position is linked to its ability to control the labour market (Kealey, 2006). With the deployment of new technologies, likely bearing the imprints of the owners, these tasks become extremely difficult for the union. The extent to which union members could understand the inner workings of technology influenced whether or not unions would bargain from a position of strength or one of weakness. The pressures faced by workers and union representatives in the presence of new technologies and management techniques can lead to greater individualization as the worker already alienated from himself, begins to seek out colleagues or supervisors who are seen to be potentially collaborating with ownership. These forces can in turn contribute to a growing distrust between all levels of production.

The recognition of mutual prosperity for employer and employee as being in the best interests of the firm is pivotal to scientific management. This reciprocity of duties and obligations binds the fates of employer and employee to that of the company. Taylor viewed workers with a kind of jovial disdain, “He (the worker) is so stupid that the word “percentage” has no meaning to him, and he must consequently be trained by a man more intelligent than himself into the habit of working in accordance with the laws of this science before he can be successful” (Taylor, 1967: 59). It was the responsibility of management to raise their voices and fight the ‘evils’ of worker inefficiency. To this end, Taylor called for a renewed vigour and direct engagement of management in the planning of and the execution of the labour process. For every act undertaken by a worker, a manager should have performed one or more preparatory acts. This was needed to properly train the worker and coordinate the process. The worker would be a willing participant due to the increased wages earned for the improved efficiency of his actions. As a result of the increased requirements imposed on the worker, Taylor indicates that men would behave in more socially acceptable ways, as the required quotas could not be met if undesirable lifestyles were lived. The promise of extra money and the rigour of efficiency to regulate the comportment of the worker on the job was brought forward as a method that may be equally effective outside of the workplace, a principle that Ford would soon implement with fervour.

There are countless parallels that can be drawn between the work of Marx and that of Taylor. No doubt, there would be general agreement regarding the monotony of the labour process acting as a contributor to the dissatisfaction of the worker. Furthermore, both men would concur on the primordial importance placed on the well-being of the capitalist system as opposed to the health and longevity of the worker. For when Taylor speaks of the improvements

in the living conditions of the worker, it is clear that this is for the ultimate benefit of the company who proportionally earns greater return from the worker than the worker obtains in increased wages. This coincides with a Marxist view that the “wretchedness of the workers is in inverse proportion to the power and magnitude of his production” (Marx, 1988: 69). Marx was advocating the need for a deeper understanding of the connections between this wretchedness and the money-system. Taylor for his part argued that understanding prosperity and the factors that influence it were entirely beyond the “control of any one set of men, any state, or any one country...” (Taylor, 1967: 29). In fact, Taylor’s scientific management could also be interpreted as a method of weakening class divisions and minimizing the threat of socialist revolution by being *a little* more generous to workers in the guise of moderate wage increases and *friendly* management practices in exchange for increased efficiency.

With the help of suitable methods of measurement, the optimum profitability of the individual worker is calculated like that of any material means of production. On this basis, the American system of "scientific management" triumphantly proceeds with its rational conditioning and training of work performances, thus drawing the ultimate conclusions from the mechanization and discipline of the plant. The psycho-physical apparatus of man is completely adjusted to the demands of the outer world, the tools, the machines — in short, it is functionalized, and the individual is shorn of his natural rhythm as determined by his organism; in line with the demands of the work procedure, he is attuned to a new rhythm through the « functional specialization of muscles and through the creation of an optimal economy of physical effort." This whole process of rationalization, in the factory as elsewhere, and especially in the bureaucratic state machine, parallels the centralization of the material implements of organization in the hands of the master. Thus, discipline inexorably takes over ever larger areas as the satisfaction of political and economic needs is increasingly rationalized. This universal phenomenon more and more restricts the importance of charisma and of individually differentiated conduct. (Weber, 1978:1156)

Possibly the most glaring contradiction between Marx and Taylor is in the valuation and future potential of a worker. On one-side of the coin lies a well-disciplined worker who is now

finally able to save some money and improve the conditions of life to the utmost of natural abilities, on the other-side, the labour process results in the proletariat revolution that will allow workers to free themselves from the bondage of the factory and likewise, live life to the utmost of their natural abilities. But what is the working individual truly capable of? Taylor's vision of progress focuses on 'freeing' the worker from the intellectual inability limited to master anything beyond regulated tasks. His is a vision that serves the goals and ideals of the capitalist class in that it ensures the reproduction of a productive and entirely manageable working class, dispossessed of any secret knowledge that could suppress the dominion of the owners. Marxists would argue that the true capacity of the working class individual is nothing short of absolute freedom and a return to self-directed production, free from the encumbrances of capitalist domination. This places Marx's position regarding the capacity of the worker in stark opposition to that of Taylor.

Based on the discussion above, the principles of scientific management engage in active deception towards the working class. While the wealth of the working class under Taylorism increases, the relative devaluation versus the capitalist class expands exponentially thereby increasing social stratification and income polarization. In addition, borrowing from Noble's framework that discusses the technology of production, scientific management was conceived and deployed from a position of power and its actual use contingent on the class struggles on the shop floor (see Noble, 1979: 19). Taylor leaves little to suggest that the workers are being empowered on the shop floor as high-priced men who are faithfully conditioned to do what they're told, when they're told and preferably with no backtalk. This is what living refers to in Taylorism. Taylor clearly expects the working class to 'live' to work where living follows the rigours and discipline of scientific management. More troubling, however, was the drive to

extend the obligations of work beyond the factory, beyond the worker and embed social discipline in all aspects of the life.

Ownership versus Control

The move toward industrialization and Fordist methods of production can be viewed as driving forces behind the de-skilling of labour, the detailed division of tasks, mechanization and the rise of the factory. Lost within this broader movement, however, is the influence of debt on the production methods espoused by Henry Ford himself, who held firm views on the subject, and his drive to, "...create the conditions by which he could possess people entirely." (Collier and Horowitz, 1987). This implied an extension of workplace oversight into the private sphere, the appropriation of leisure time and the requirements to maintain oneself physically and spiritually to support enterprise.

From Bentham's Panopticon to Frederick Taylor's scientific management and Henry Ford's assembly line, efforts never ceased to assemble and consolidate such frames for human conduct as would fully and truly leave the endemically whimsical and erratic passions strictly out of bounds and leave no room for any irrationality that of human wishes included. (Bauman, 2001:15)

Ford made little secret of his disdain for bankers (Ribuffo (1980), Watts (2005), Collier and Horowitz (1987) Lacey (1986) Leonard (1932)) , 'parasites' who added no value through production and he deeply resented any attempts to influence the production process and was generally suspicious of financial power. Limiting research on Fordism to the assembly line negates the influence of the many contradictory actions undertaken by Ford. For example, his anti-semitic views were hardly hidden as Ford was said to have joked, "...that he would pay \$1,000 to anyone who brought in a Jewish farmer "dead or alive"" Ribuffo (1980: 465). This stood in stark contrast to his open hiring policies for minorities, particularly African Americans,

women and the disabled.²⁷ For Ford, production was essential to wealth and this trumped all other considerations.

Even before the five-dollar wage was put into effect, Ford would often stop his car to pick up tramps and hitchhikers and offer them jobs at Highland Park so that they could “remake their lives”. He hired convicts to give them another chance. When one young man was caught stealing from the plant, Ford refused to fire him, saying, “Give him a better job and see if that will make him a better man.” One of the ex-cons he hired was Norval Hawkins, his future sales manager, who eventually built the best sales force the automobile world had yet seen. (Collier and Horowitz, 1987: 67).

The making of ‘better men’ however, was not limited to the factory. Workers were provided good wages in order to keep them out of debt, to provide a home and to educate their children (Watts, 2005: 185). Women who worked for Ford were considered a ‘temporary factor in industry’ with the expectation that earnings would support these objectives and ultimately result in marriage. “I pay our women well so they can dress attractively and get married.” (Lacey, 1932: 126) This formed part of Ford’s take on Americanism, which also included the benefits of having workers leave his plants “in a state of complete physical, spiritual, and mental exhaustion” (Leonard, 1932: 27) which negated the risks of deviant behaviour after hours. The physical and mental rigours extended well beyond the workday. Existing class theories struggle to address gender issues, particularly in relation to paid versus unpaid work and whether or not class analysis is devalued by recognizing individual family members and their respective positions. The primary argument for viewing individuals within a family unit as having unitary class interests is evidenced by how family outcomes, both positive and negative, are influenced

²⁷ Lacey (1986: 126), provides statistics to illustrate the extent of Ford’s commitment to hiring solely based on an individuals’ ability to get the job done. “By 1919, Ford was employing 9,563 men and women with some kind of handicap – out of a total workforce of 44,569”. Lacey also reports that by 1926, a tenth of the entire workforce were African American, “The Ford Motor Company employed more black than all the other car companies put together.”

by the ongoing defining and re-negotiation of how and when collective resources are pooled and how they are in turn deployed. Just as resources are pooled, families pool the corresponding liabilities and distribute them accordingly. This approach highlights that gender has always formed part of economic growth and that integrating women into the marketplace makes visible certain processes that were previously hidden. As will be shown in the case study, the empowerment microcredit provides as a resource for the development of the family has significant consequences for the increased amount of pooled liabilities that are to be administered by women.²⁸ The result is the intensification and overlapping of responsibilities both within the private sphere of the family and public sphere of production. This intensification of work is generated by the continuous physical and mental energy required to satisfy the additional requirements of debt repayment. And as Floro (1995: 1921) notes, “One needs to make a careful distinction between the performance of overlapping activities in a pleasure-enhancing manner and one that is made as a coping mechanism”.

Within the factory, the body paid a price. To combat factory rules that basically prohibited interaction of any kind, workers developed the ‘Ford whisper’ and communicated without moving their lips resulting in ‘Fordization of the face’ (Collier and Horowitz, 1987 and Watts, 2005). Workers having only fifteen minutes in which to eat their lunches struggled in the afternoon with cases of a ‘Ford stomach’ (Leonard, 1932:

²⁸ Many microcredit initiatives have limitations on who can access credit, for example some program place restrictions or deny access to families owning more than 0.5 acres. In addition, where monitoring is undertaken to view the relative success are often family based. In the case of Grameen Bank, ten criteria are used as indicators that a member has moved out of poverty. Eight of these criteria are directly linked to the family situation with only the size of the minimum weekly loan installment and the average annual balance maintained in a savings account pertaining to the individual.

237). All this from a man who ushered in increased wages and opportunity for all, but with strings attached.

All married men were eligible for the new wage, as were males under age twenty-two who were supporting widowed mothers of brothers or sisters. All women who were supporting families would receive the pay boost. But unmarried females and those men not supporting dependents were excluded from Ford profit-sharing. Perhaps the most striking qualification, however, concerned matters of a personal nature: character, morals, habits and behaviour, and family arrangements. (Watts, 2005: 200)

Advice was offered to employees including everything from bathing habits to what types of consumption should only be made with cash purchase. Workers who were prone to taking proper care of themselves were more inclined to care about production and efficiency. In his quest to possess workers entirely, Ford accomplished so much more than a new production regime. By tying wage benefits to behaviour requirements that infringed on leisure time and independence, this thesis argues that Ford's actions set the stage for the intensification of work, comprised of financial repercussions associated with poor behaviour.

It seems possible to reply that the Ford method is rational, that is, that it should be generalized; but that a long process is needed for this, during which a change must take place in social conditions and in the way of life and the habits of individuals. This, however, cannot take place through coercion alone, but only through tempering compulsion (self-discipline) with persuasion. (Gramsci, 1971: 312)

The principle of inclusion within debt relations comes at a price as the informal obligations that extend disciplinary mechanisms beyond the work milieu seek to alter both body and soul for the price of admission. The price of admission, however, also impacts capital, as the regularization of income and minimum wage floors were required to promote conditions favourable for the extension of debt required to support mass consumption.

Discussion

This chapter has explored the contradictory nature of ongoing debt relations and its mutability. Where once perceived to be sin and the result of moral despondency, debt is now both a symptom and a cure to society's ills. By establishing the conditions through which to possess people entirely, debt continues to evolve as a mechanism to contain not only the poor, but also minimize the threat of class conflict and regulate undesirable behavioural traits. This is achieved by breaking down traditional class barriers, focused solely on the employment relation and replacing them with market-based solutions to level the playing field. Several overlapping tendencies play profound roles on both the issuance and circulation of credit and on workplace transformation. A central feature of the debt regime is to provide conditional opportunity (not equality) to all parties capable of adhering to a given code of conduct that extends beyond the place of employment, thus resulting in an extension and intensification of work. This results in an extension of external governance regimes into the private sphere whereby credit and employment are accompanied by strict expectations as to how they are to be used in order to eradicate inefficiencies within production and of the person. The current reliance on debt as a mechanism to smooth over consumption discrepancies and regulate, not level, the playing field amongst classes bears some resemblance to Taylorism by extending oversight mechanisms beyond the factory and requiring a constant state of readiness.

Whether in the form of self-employment or wage-based relations, the capacity to direct one's own labour power must also be questioned if the majority of household income is regularly destined for debt-service. If this is the case, true ownership of labour lies in dispute as the significance of 'old' versus 'new' middle class distinctions decrease. The definition of labour

itself transforms to capture the tireless efforts of debt-serving requirements that extend beyond working hours and the creation of new forms of alienation. Creating debt servicing careers for life comes at a price as the reserve army is transformed from a mass of unskilled labour through both public and private financing that allows all walks of life to participate in common purchasing rituals and cultural practices, albeit, not from a position of equality. In order to access debt markets, minimum requirements must be met, the stopwatch is ticking. Where once clear delineations existed between working and lower classes based on tasks and functions, boundaries become both muted and fused as a result of debt. Methods used to create wealth no longer rely on the production capabilities of the poor as mutual dependencies created through debt relations mediate societal risks and define the available options from which to pursue class conflict and compromise. Herein lays the democratizing power inherent to debt relations and its ability to dismantle traditional approaches to class analysis and eradicate unnecessary levels of stratification. Subsequent chapters will build on this historical overview of debt relations to examine the extent to which the NMC is capable of escaping the bonds imposed by debt relations and to determine if the NMC possesses the financial awareness and flexibility to derive identities independent of debt considerations.

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Chapter 4: The Wimps of Wall Street?

The last forty years have witnessed a staggering 379% rise in Canadian consumer insolvencies, reaching 118,679 for 2013, up from 24,777 in 1987.²⁹ Every year, thousands of Canadians dispel the advertising slogan brought forward by a major bank by not only proving that they are not richer than they think, they may be even poorer than they realize. To put the relevance of consumer insolvencies into perspective, the value of debt associated with the consumer insolvencies totaled over \$14 billion in 2013, compared to nearly \$4.9 billion for business insolvencies. A Michalos, Howes & Associates' analysis of 7,000 consumer insolvency cases (either filing for bankruptcy or filing a consumer proposal) from 2011-2012 showed that:

- 57 percent of all insolvencies were male; 43 percent female.
- Average age is 43 years with the fastest growing group of debtors aged 50 and older.
- 43 percent are married, 27 percent are single, and 30 percent are separated, divorced or widowed.
- 41 percent live alone, but the average family size is 2.3, which typically includes the debtor and a dependent spouse or child.
- On average they owe more than \$61,000 in unsecured debt to banks, credit card companies, finance companies, and Canada Revenue Agency.³⁰

These findings that clearly show that many insolvent debtors are neither unemployed nor on social assistance may be at odds with common perceptions of people forced to resort to bankruptcy. Insolvency filings represent an undesirable *outcome*, failed consumers if you will, whereas a greater emphasis should be placed on the *processes* that influence Canadian's capacity, motivation, and willingness to accumulate debt. As purveyors of the consumer ethic, the NMC are not immune to the *dark side* of consumer society:

²⁹ Office of the Superintendent of Bankruptcy, total represents the sum of bankruptcies and proposals. <https://www.ic.gc.ca/eic/site/bsf-osb.nsf/eng/br03222.html>.

³⁰ Michalos, Howes & Associates (2013).

In the same period, the dark side of consumer society has increasingly come into view: climbing rates of personal debt and bankruptcy; pervasive social alienation and disconnection; the growth of consumption-related health problems such as heart disease and diabetes; rising levels of depression, anxiety, and other emotional disturbances; job-related stress, chronic “time poverty,” and so on. (Sorin, 2006:223)

The wide-ranging economic, social and emotional impacts to both individuals and families are not solely the domain of the NMC as bankruptcy recruits from all walks of life across all stages of life (Table 4.1). The average monthly take-home pay of bankrupt individuals was \$2,366 a month, showing that those who seek bankruptcy protection were not idle. In fact, 81% of debtors reported being employed, contrary to meritocratic arguments blaming the debtor for putting themselves in untenable positions with almost 2 out of 3 insolvencies precipitated by unexpected events. They have succumbed to what Jack London (1903) succinctly called – *the thing*.

Table 4.1: Consumer Debtors Profile 2012

Distribution of Insolvency Files (%)													
	# of Insolvencies	Age Group (Years)										Sex	
		18-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65 +	Women	Men
Newfoundland and Labrador	1,750	3.5	9	16.2	14.2	12.5	10.8	9.9	7.9	6.5	9.4	51	49
Prince Edward Island	618	1.3	6.3	14.1	17.8	14.4	12.9	8.4	8.7	7.6	8.4	51.6	48.4
Nova Scotia	4,284	1.9	6.7	11.8	13.6	15	14.2	11.6	8.2	7	10.1	51.2	48.8
New Brunswick	3,843	2.2	8.2	12.9	15	13.4	12.9	11.2	8.8	6.9	8.4	49	51
Quebec	35,925	4.1	7.8	11.1	12.5	13.1	13.6	12	9.3	6.6	9.8	45.4	54.6
Ontario	47,381	1.9	7	11	13.3	14.4	14.6	12.9	9.5	6.6	8.7	48.3	51.7
Manitoba	1,877	2.8	8.2	12.8	13.3	13.1	13.3	11.6	8.7	7.2	9.1	45.3	54.7
Saskatchewan	1,731	1.9	6.9	12.4	13.7	14.5	13.7	11.2	8	6.4	11.3	49.3	50.7
Alberta	9,202	2	8.7	12.5	15.1	14.6	12.9	11.6	8.3	6.4	7.9	46.5	53.5
British Columbia	11,696	1.2	6.5	10.7	13	14.9	13.8	13.2	10.1	7.1	9.5	48.3	51.7
Northwest Territories	53	3.8	9.4	15.1	13.2	15.1	13.2	15.1	3.8	5.7	5.7	52.8	47.2
Yukon	37	0	8.1	13.5	10.8	24.3	5.4	13.5	2.7	8.1	13.5	67.6	32.4
Nunavut	3	0	0	0	0	33.3	0	33.3	0	0	33.3	0	100
Canada	118,398	2.6	7.4	11.4	13.3	14	13.9	12.3	9.3	6.7	9.2	47.4	53.0

Source: Insolvency Statistics in Canada 2012, Office of the Superintendent of Bankruptcy Canada.
[http://www.ic.gc.ca/eic/site/bsf-osb.nsf/vwapj/Annual_12_EN.pdf/\\$file/Annual_12_EN.pdf](http://www.ic.gc.ca/eic/site/bsf-osb.nsf/vwapj/Annual_12_EN.pdf/$file/Annual_12_EN.pdf)

Between 2007 and 2010, households in the United States lost \$16 trillion in wealth³¹. Statistics from the Federal Reserve show the steep impact on Americans' wealth that saw 20 years of growth eroded in three. This in turn does not factor in the lost public services resulting from taxpayers' money being diverted to the bailout, nor the continued erosion of workers' benefits and severances packages. Not only did regime change not occur as a result of the economic crisis, the rules of the game were, for the most part, re-validated. It should then come as no surprise that wealth remains in the hands of the fortunate few with ready access to investment assets.

Analysis of the 1999, 2005 and 2012 surveys of Canadian wealth conducted by Statistics Canada shows the remarkable concentration of wealth in Canada. The data (Table 4.2) highlights the significant gains accrued by Canadians who witnessed a net worth increase of 78 percent between 1999 and 2012. Net worth increases occurred across all income quintiles except for the lowest quintile that experienced a decrease of total net worth to -\$10,826 despite an increase in national net worth of over \$4 billion. In addition, discussing the results as percentage increases by quintile or at the aggregate national level masks the real dollar change in net worth held by the higher income quintiles. The highlighted column in the chart below captures the financial prowess of the Canadian middle class as nearly 90 percent of total net worth is held by the fourth and highest quintiles. As the Canadian Prime Minister rightly pointed out in the midst of the Economic Crisis, there were plenty of good buying opportunities to be had in the financial

³¹ Washington Post. *Americans have rebuilt less than half of wealth lost to the recession, study says*. May 30, 2013. http://www.washingtonpost.com/business/economy/americans-have-rebuilt-less-than-half-of-wealth-lost-to-the-recession-study-says/2013/05/30/7d29a878-c930-11e2-8da7-d274bc611a47_story.html

markets provided you had access to capital and liquid assets. As a result, the not so surprising outcome of the financial crisis is that Canada's rich got richer.³²

Table 4.2: Distribution and Median Net Worth by Quintile in Canada

Family Units	1999			2005			2012			Median net worth	
	Net worth by quintile	Total net worth	Median net worth	Net worth by quintile	Total net worth	Median net worth	Net worth by quintile	Total net worth	Median net worth	1999 to 2012	2005 to 2012
	%	millions of dollars	dollars	%	millions of dollars	Dollars	%	millions of dollars	Dollars	% change	
All family units	100	3,903,014	137,000	100	5,530,509	168,700	100	8,073,585	243,800	78	44.5
Lowest quintile	-0.1	-4,161	1,300	-0.1	-7,234	1,100	-0.1	-10,826	1,100	-15.4	0
Second quintile	2.6	102,036	39,600	2.3	124,739	42,400	2.2	180,292	56,100	41.7	32.3
Third quintile	8.8	343,419	137,000	8.4	465,147	168,700	9	728,655	245,000	78.8	45.2
Fourth quintile	20.1	785,529	313,400	20.2	1,118,333	410,900	21.5	1,735,014	575,500	83.6	40.1
Highest quintile	68.6	2,676,191	763,700	69.2	3,829,524	981,400	67.4	5,440,451	1,380,000	80.7	40.6

Source: Statistics Canada <http://www.statcan.gc.ca/daily-quotidien/140225/dq140225b-eng.htm>

Evidence from the US recovery showcases a similar trend. Households saw \$16 trillion in wealth evaporate as a result of the recession; however, a large percentage of the losses sustained have now been restored.³³ Given that wages and housing values have remained virtually stagnant, the rebound was primarily driven by the performance of the stock market and individuals with the liquidity to purchase assets at their discounted prices and weather the storm.

³² www.calgarypost.com. *Canada's rich got richer during financial crisis*. J. Whitman. The Financial Post. Published June 11, 2010. Last Accessed October 25, 2010 and www.wsws.org/articles/2010/jun2010/rich-j15.shtml. *Fortunes mount for the wealthy in wake of the finance crisis*. Elizabeth Zimmerman. World Socialist Web Site. Published June 15, 2010. Last Accessed October 25, 2010.

³³ Federal Reserve Bank of St. Louis (2012). Annual Report. http://www.stlouisfed.org/publications/ar/2012/PDFs/ar12_complete.pdf (Accessed July 7, 2014).

Whereas losses were felt across all class divides, the recovery has been enjoyed by a select few with the overall result being an even greater concentration of wealth.

Based on a report from the Boston Consulting Group, recent financial indicators show that the number of millionaires across the globe increased by 14 percent to 11.2 million, a number that is roughly in line with the number of millionaires in 2007, pre-crisis. Macdonald (2014) goes even further by analyzing the net worth of the 86 wealthiest Canadians as identified in *Canadian Business* magazine's annual list. Fun fact from the analysis: it would have taken 11.4 million Canadians to match the net worth of 'The Wealthy 86' which stood at an estimated \$178 billion in 2012.

Put another way, 0.002%, The Wealthy 86, have the same net worth as the poorest 34% of Canadians...The Wealthy 86 hold enough net worth that they could buy all of the privately held assets held by everyone who lives in several Atlantic provinces. In fact, all of the assets of Prince Edward Island and Newfoundland & Labrador residents could be combined and The Wealthy 86 could still buy them all. (Macdonald, 2014: 10)

Of concern here is where members of the lower quintiles turn for access to credit on non-usurious terms given their financial constraints. The good, but more likely bad, news is that payday lenders can be readily found in any market centre. With identification, a personal chequing account and proof of employment loans can be obtained, and where that fails, holds on jewellery are now fair game as well. But this all comes at a price. Despite section 347 of the *Criminal Code* making it illegal to charge more than 60 percent interest per annum, the effective rate on many loans easily surpasses this restriction. The reason being that, while the majority of payday loans are for nominal amounts, the fees incurred for the relatively short duration of the loan, when annualized, are seemingly criminal. Money Mart, with over 500 branches across Canada, clearly outlines that the annual percentage rate of its online loans is between 500 – 600

percent in most provinces.³⁴ Research performed by Environics Research Group³⁵ re-affirm that the main reason for requiring payday loans stems not from unbridled consumerism, but the need for emergency cash for necessities and unexpected expenses. Perhaps more intriguing, is that despite the high interest rates the majority of payday loan recipients reported being satisfied with the exchange showing once again the dire importance of credit to smooth out personal income shortfalls and live a desired lifestyle. The growing prominence of debt for this purpose may provide a much needed force to strengthen the solidarity of classes in the face of the seeming inability of labour relations to solidify class interests. Unlike production, however, collective action against financial interests has no direct target other than the rule of law and is further diffused by a limited ability to clearly define one's adversary.

The current reliance on debt does, however, bring to the forefront the potential for unforeseen areas of conflict, areas such as the family and generational divides. A research report for the NS&I Future Foundation in the United Kingdom, *Families, Finance and the Future* (2009: 25), noted "that families and finances are inextricably bound, in ways that challenge conventional wisdom" with the exchange of finances and financial knowledge being the financial glue that holds families together. Highlights of the report show that:

- 70 percent of respondents agreed that children are more financially dependent on their parents than previous generations;
- 86 percent of grandparents in our survey said they sent their grandchildren money for their birthday or at Christmas. One in eight had set up a trust fund for theirs; one in twenty had bought theirs shares;
- Financial bonds are strongest between parent-child, and child-parent, and weakest between siblings;

³⁴ <http://www.moneymart.ca/about/#4>. Money Mart describes its customers as being 'the average working Canadian'. "Statistically, the average customer is 32 years of age and employed with an annual income at the national average – 82% of all customers are under the age of 45".

³⁵ Summary presentations by province can be accessed through the Canadian Payday Lenders Association website: <http://www.cpla-acps.ca/english/mediastudies.php>.

- of all age groups, 16-24 year olds, give financial support to their parents in larger numbers than other age groups.

Historically, inter-generational transfers were predominantly private transfers from fathers to sons (McDaniel, 1997: 4), and inheritance continues to play a role in Canadian society. According to a survey as part of the *2005 Survey of Financial Security*, 36 percent of families in the highest net wealth quintile received inheritances, compared to only 10 percent of families in the lowest quartile. The value of these inheritances was \$136,000 and \$13,200 respectively.³⁶ The data suggests that family finances may no longer be solely unidirectional from parents to children but can be multi-directional, potentially allowing for younger generations to influence broader family and societal dynamics.

Exchanges of goods and services between family members are varied, frequent, and enduring. Each exchange offers a new opportunity to instill family values, foster dependence on one another, and demonstrate the family's personalized mechanisms of surveillance and control. (Treas, 1993: 725).

This evidence also suggests that the family, through financial ties, are bound by the different controls risks and constraints faced by individual persons, and is not, as Beck and Beck-Gernsheim (2002: 97) claimed, “becoming more of an elective relationship.”

A refrain increasingly heard in Canada, and heard rather more loudly in the United States, is individual responsibility, and yet, it is clear that family pooling or resources, certainly within residential households, makes the crucial difference between poverty and living above the poverty level. (McDaniels, 1997: 13)

Family financial transfers can serve to smooth over variations in income versus the timing of debts. Families may opt to invest heavily in the education of a child for the promise of better opportunities for their child, rendering their child self-sufficient at an earlier age, or as an investment in their own income opportunities and likely some combination of the above. The

³⁶ Morissette, René and Xuelin Zhang. 2006. Revisiting wealth inequality. *Perspectives*. Statistics Canada. Catalogue No. 75-001-XIE.

options available depend to an extent on the makeup of Canadian society and the changing role of the family that has shifted dramatically over the last 30 years. Two of the main factors are the increasing representation of women in the workforce and the aging population. Women now represent over 47 percent of the Canadian labour and the net worth of females in Canada increased by over 30 percent to \$105,470 between 1999 and 2005 compared to a 22 percent increase for men to \$184,964. The percentage of Canadians over the age of 65 will also increase notably over the next decade. In 2001, 12.7 percent of the population was over 65, this is projected to increase to 14.4 percent in 2011 and to 17.9 percent in 2021.³⁷ Between 2015 and 2021 the number of Canadians over the age of 65 is forecast to surpass the number of children aged 14 and less for the first time in the history of Canada.³⁸

The rising costs of university and college show the changing family dynamics with more and more parents now viewing the responsibility for financing education as the role of the student. Higher education, once reserved for the elite, is now the burden of the masses with the costs of education being so prohibitive that they can leave lasting effects and cause long-term financial repercussions that extend to both social and economic spheres as employment decisions can be heavily influenced by debt service obligations and personal health can in turn suffer. More and more, opting out is not in the cards. Research from the Pew Research Center (2013) shows that despite the prevalence of debt-funded education, assuming debt may be the lesser evil

³⁷ Population Projections for Canada, Provinces and Territories 2000-2026". Statistics Canada, 2001. Catalogue. No. 91-520-XIB.

³⁸ Population Projections for Canada, Provinces and Territories 2009-2036. Statistics Canada, 2010. Catalogue No. 91-520-X.

as university/college graduates have significantly higher annual earnings, are more likely to be employed full time, and are less likely to be unemployed.³⁹

What we are witnessing is debt's ability to weaken familial bonds and eliminate the sense of community from affective relationships. The stress associated with meeting future obligations now surpasses the anticipation of future rewards. The importance of the middle class and its ability to stem class conflict could well rest not in its ability to be a buffer between the rich and poor, but in its ability to financially support itself through intergenerational transfers, co-signers if you will. But what happens when young and old alike walk away from the table? This shift has broad implications for how wealth will be generated and the terms of the new social contract and evidence suggests that this transformation is already taking place. A recent Wells Fargo survey (2014) highlights the struggles being experienced by millennials in trying to make ends meet.

Millennials are struggling under the pressure of debt, with 42 percent saying "it is their biggest financial concern currently." Four in ten say their debt is "overwhelming" versus 23 percent of baby boomers. Forty-five percent of millennial women feel "overwhelmed" by debt, versus 33 percent of millennial men. Perhaps due to big debt obligations, over half of the millennials (56%) say they are "living paycheck to paycheck," regardless of gender.⁴⁰

If, as the report states, nearly half of millennials are spending 50 percent or more of their paychecks servicing debt with 40 percent also having 'no idea' how much they will need to put aside for retirement, the game has changed. Having witnessed the recent financial markets

³⁹ Pew Research Centre (2013). The Rising Cost of Not Going to College. www.pewsocialtrends.org. (accessed July 7, 2014). Survey comprised 2,002 adults, supplemented by economic data from the U.S. Census Bureau. The empirical evidence as well as the attitudes of college graduates versus high-school graduates is telling. Approximately 22 percent of high school graduates lived in poverty compared to 5.8 percent for college graduates. Despite the costs of higher education, nearly 9 in 10 millennials felt that the investment had either already paid off or would do in the future.

⁴⁰ https://www.wellsfargo.com/press/2014/20140610_millennials. Accessed June 30, 2014.

wreak havoc on their parents' retirement plans, millennials are also more prone to favouring cash investments as opposed to relying on the financial markets. Marriage trends amongst millennials are also expected to decline, however, rates are said to only minimally decrease for college educated, white millennials.⁴¹ The extent to which financial security and confidence in future successes influence decisions such as the timing of marriage could also indicate the educational and race divisions that continue to be pronounced, particularly in regards to accessing credit and competitive market rates.

The labour relation, traditionally viewed as the focal point for class discontent is in turn impacted as the wages being earned are already accounted for. Workers who have the majority of the income immediately diverted into the hands of others can be viewed as nothing more than a transitory waypoint for capitalistic interests. This cohort will not be well positioned to drive the continued inflation of real estate values, and this represents potentially dire consequences for aging members of the middle class with the majority of wealth locked up in housing. The housing bubble in the United States serves as a recent reminder of the perils of reliance on housing prices increases as a retirement strategy.⁴² The inability, or unwillingness, to foot the bill stops the transfer of fictitious funds to the coffers of the older generation has the potential to breakdown once traditional areas of support (family and younger generations) as solidarity becomes less about placing oneself in the 'imaginary position' of the other and inadvertently

⁴¹ Millennials say no to money. CNN Money.

http://money.cnn.com/2014/07/20/news/economy/millennials-marriage/index.html?hpt=hp_t4 . Accessed July 21, 2014.

⁴² Marshall, Katherine (2011:11). In the Canadian context, one-third of retirees continue to hold debt with 17 percent of retired households carrying a debt of \$100,000 or more and 25 percent held debt ranging between \$25,000 and \$99,999. The report also found that, "The likelihood of holding debt decreased with age but increased with household income and financial knowledge."

being responsible for placing individuals into the very real position of having no recourse but to accept that they were duped into ever thinking they were members of the actual middle class.

In the previous chapter we touched upon the historical trends associated with debt. These trends are perhaps more simply discussed through the lens provided by Schrauwers (2011) that discusses mutual credit arrangements in Canada in the 1800's in the context of borrowing relationships transformed from charity to lending. Whereas "accepting charity proved an assault on the recipient's "respectability" (Schrauwers, 2011: 316) entering into a creditor debtor arrangement with a financial institution displayed competency and the ability to effectively contribute to society.⁴³ This was of particular significance to Canada given that population growth was supported by emigrants who often made the journey with nothing more than their promise of future returns. Can a focus on how individuals are brought into the 'respectability' of debt dependence provide greater insight into the impacts of debt on class? A case-study of the microcredit practices of the Grameen bank examines the price of debt induction. The question remains, however, does the microcredit example represent a negotiated past that developed nations such as Canada have evolved from, or should the debt practices associated with microcredit be viewed as a potential future?

Microcredit Case Study: Debt as Empowerment?

Microcredit literature locates its origins to Jobra, Bangladesh and the remarkable efforts of Dr. Muhammad Yunus who, in 1976, defied convention by providing institutionalized credit to the poor on a self-sustaining basis. Arguably its greatest achievement, despite the millions of

⁴³ Schrauwers, Albert (2011: 325). "Respectability, and the refusal to accept charity, was all that stood between the indebted farmer and lawsuits, impoverishment, and indefinite imprisonment for debt. The "poison of the gift," of charity accepted, was that it made public one's lack of economic, political, and social independence."

families benefiting from these funds⁴⁴, is its ongoing ability to position itself as a sound business model and to distance itself from being viewed as alternative forms of welfare and charity. In the case of microcredit, its collateral requirements and interest rates displace existing borrowing networks that were largely male-biased and characterized by usurious practices. Microcredit alters the character of credit by framing itself as a developmental tool that couples poverty alleviation with financial sustainability strategies. In targeting the poorest of the poor, the development of microcredit is intimately associated with the development of women. This gender focused poverty alleviation paradigm acts to legitimize and harness broad support among state and non-state actors as microcredit interventions strive to build self-sufficiency and income generation opportunities for recipients as loans are typically only offered to support entrepreneurial enterprise.

Despite microcredit's global reach, the World Bank projected that only 4 per cent of the worldwide demand is currently being met (Bystrom, 2008: 2109). Social customs, religious beliefs and traditions in many countries still do not provide women with the legal and institutional support required to access funds and even in instances where microcredit can be accessed, retaining control over the provided funds is by no means a given. The introduction of microcredit into cultures with pre-established patriarchal norms cannot be assumed to provide women, armed with limited experience to credit and restricted bargaining power within the family, the capacity to resist and influence the existing social order prevalent in their communities. Existing microcredit programs often integrate the provision of credit with add-on

⁴⁴ Through 2006, microcredit institutions had touched the lives of over 460 million family members by directly reaching 133 million clients. Of these clients, 92.9 million were considered to be among the world's poorest and of these, 79 million were women (Daley-Harris, 2007: 2).

initiatives designed to provide training, education and skills development for recipients. These initiatives have typically targeted individuals who lack the conventional collateral required to access debt through traditional methods. It is believed that inadequate access to funds denies the poor, a majority of whom are women, the ability to invest in independent income generating activities and attain financial self-sustainability. Once provided with access to credit and the possibility of savings it is assumed that recipients will direct the investment inwards and establish small-scale enterprises that could ultimately lead to the increased well-being of their families while simultaneously providing women with the economic baseline required to have a social and political voice.

The Grameen Bank, an institution that is widely regarded as being the originator of successful microcredit programs, characterizes its own operations as relying on intensive discipline, supervision and servicing in order to maintain the provision of credit to the ‘poorest of the poor’ on a sustainable basis.⁴⁵ Consistently high repayment rates of over 90 percent provide the empirical evidence to justify that the social collateral deployed by microcredit recipients is as effective as requiring conventional collateral to ensure compliance with loan terms and conditions. The skills of the poor are considered as being under-utilized and given the economic opportunity that these skills are sufficient to generate the income required to exit poverty. Loan recipients are encouraged to engage in income generating opportunities of their choice that put

⁴⁵ The information provided on the delivery system used by the Grameen Bank is provided through the Grameen Bank website. Retrieved December 6, 2008. (<http://www.grameen-info.org>). The Grameen Bank delivery system is by no means the only existing delivery mechanism for microcredit. Community efforts have resulted in rotating savings and credit associations, door-to-door deposit collectors, annual savings clubs and matched savings clubs. The majority of these alternatives place restrictions on how funds can be used and when they can be accessed, for instance, the removal of funds can be restricted to only paying for children’s education or withdrawn due to health emergencies.

their skills to use.⁴⁶ This represents a conceptualization of poverty whereby being poor is an alterable condition, or a transitory stage of development. Microcredit views the poor as capitalists in waiting where class interests are developed through active inclusion and recruitment.

For example, the poor, rather than being viewed as passive victims of society in need of handouts, are viewed as agents who struggle to cope with poverty with whatever assets they possess. The emphasis is on the assets they own and resources they can access rather than on what they lack. (Cagatay, 1998: 6)

Studies have shown that microcredit has had both favourable and negative impacts on women's empowerment (Mahmud, 2003: 579) and have also questioned the long-term viability of the movement on the basis that minimalist microcredit interventions are prone to failure as successful empowerment processes are multi-dimensional.⁴⁷

Credit alone does not enable women to challenge and change the complex reinforcing constraints of gender inequalities and discrimination within markets, or inability to compete with cheap mass produced or imported products, or lack of skills and networks. (Mayoux 2002: 18)

Gender relations are significantly transformed by credit as the role of women, e.g. the mobility and autonomy required to access loans, is no longer contained within the private sphere of the home.⁴⁸ Coupled with the intensification of work is the increasing and compounding of

⁴⁶ Karnani (2007: 3-4). There is not, however, general agreement that the skills provided by the poor are sufficient to exit poverty. Karnani cautions against romanticizing the ideal of entrepreneurship as most microcredit recipients are caught in subsistence activities and would prefer a factory job with reasonable wages.

⁴⁷ Jones, Mukherjee and Galab (2007: 24). Even when training options are made available, however, questions have arisen concerning the appropriateness of the training and if it is intended to serve the interests of recipients, or the lending institutions. "Most surprisingly, however, there was little mention of literacy training – indeed, some men pointed out that the programmes were using the rhetoric of literacy but in reality this was very superficial and women were only learning how to sign their names for loans."

⁴⁸ McDowell (2006: 826) "Gender relations, in contrast have typically been theorized as a private affair, a relationship based not only on exploitation and the cash nexus but also on affective ties and so where

surveillance mechanisms resulting from indoctrination into debt relations, whereby recipients not only exchange the rule of the husband for the rule of the market, they are subjected to both. And while proponents of microcredit extol its virtues as a bargaining agent to renegotiate inequalities within the family unit, the lived reality may be more contentious.

The intense pressure of timely loan repayment produces new forms of social and institutional dominance over women by families and by microfinance organizations, increasing tensions within the family and in the relationship between women clients of microcredit and programme personnel. (Mahmud, 2003: 582)

In addition to this additional pressure, many microcredit models utilize the principle of group lending as a method of transferring surveillance and monitoring costs to the recipients themselves.

If any group member defaults, the entire group is punished (denied future loans). This group mechanism creates peer pressure and solidarity, which seems to work well in a society where social networks are often of vital importance. (Develtere and Huybrechts, 2005: 168)

Mies (1988: 27) notes:

All economic systems, modes of production, and all human history presuppose two types of basic human activities: production of the means of subsistence and production of new life or procreation...Engels correctly called both types of human activity production and stated that the institutions of a particular society or of a particular epoch are determined by the organization and the development of these two types of production.

Both commodity production as well as the reproduction of life bears relevance when exploring the relationship between and class and debt. The persistence of economic inequalities and gender inequalities requires exploitation to occur across both types of production, blurring the distinctions between work and leisure activities. In the case of microcredit, evidence

struggles occur between men and women, these are often located in the domestic arena, the private sphere of the home, and so tend to be seen as of little political significance."

suggests that conceptions of prestige weigh greatly on the family. Many women have walked away from microcredit programs due to these concerns. Pressure is also exerted on women from mothers and mothers-in-law who did not have similar opportunities. This consolidation of domination becomes more evident as misconceptions surrounding 'individuality' are abandoned, and the family becomes the unit of class analysis.

At its best, the mechanism provides women with the social space to develop networks, exchange knowledge and materially improve women's capacity to generate independent income. At its worst, peer groups monopolize women's already sparse time, increase tasks, and subject women to new forms of scrutiny. Despite women often having limited direct control over credit, failures to properly administer microcredit requirements are seen as contingent upon flawed women. In addition, group loans may also hold back more enterprising women due to the risk aversion of the group members, thereby directing credit usage towards low-risk, known ventures with high levels of market competition that are unlikely to provide significant returns.

Independent income can also potentially serve as a disadvantage for some women. In a study in Bangladesh, exploring the effects of microcredit on domestic violence, the researchers noted that,

In addition to extortion of resources via the institution of dowry, men in the study villages often seemed to feel that whatever their wives brought with them at marriage, inherited, earned, acquired, or even borrowed, was rightfully theirs. (Schuler, Hashemi, and Huda Badal, 1998: 150)

Microcredit negotiates deep cultural norms that are pervasive to the local environment, making it difficult for women to make claims to 'independent income'.⁴⁹ Schuler (2007: 195) also noted

⁴⁹ Karim (2008: 15). "In my research area, rural men laughed when they were asked whether the money belonged to their wives. They pointedly remarked that 'since their wives belong to them, the money

that when women begin to earn income that “...husbands returned (for better or worse)”. Income, regardless of who controls it, can serve to mitigate domestic violence that is prevalent in many regions, however, men have used violence as a method of extracting money from women’s families by using violence and bullying tactics to drive their wives from the home in order to shame their parents for additional funds. For poor women, choice of husband, and by consequence his extended family, is often not an elective decision.

The main disciplinary tool possessed by the credit providers is simply to deny access to future funds. The financial losses incurred by the provider pale in comparison to the degradation that awaits families who rely on debt to provide basic necessities of food and shelter. The lending groups provide a secondary layer of disciplinary sanction where women can be excluded from the groups, lose access to funds, and face the risk of being publicly shamed and admonished for having broken faith with the community.⁵⁰ The resulting class conflicts are more likely to occur laterally, amongst women in similar positions of dependency and consequently from a position of weakness. The intensity of this market discipline does not

rightfully belongs to them’. Women also told me that, as a Bangladeshi woman, I should know that they would give the money to their husbands who labor outside the home.”

⁵⁰ Karim (2008: 18-19). “Women would march off together to scold the defaulting woman, shame her or her husband in a public place, and when she could not pay the full amount of the installment, go through her possessions and take away whatever they could sell off to recover the defaulted sum. In circumstances when the woman failed to pay the sum, which happened several times a month in the NGOs I studied, the group members would repossess the capital that the woman had built with her loans. This ranged from taking away her gold nose-ring (a symbol of marital status for rural women, and removing it symbolically marks the ‘divorcing/widowing’ of a woman) to cows and chicks to trees that had been planted to be sold as timber to collecting rice and grains that the family had accumulated as food, very often leaving the family with no food whatsoever. The women who committed these acts did so at the exhortations of NGO officers, but they also considered these acts to be ‘protecting their investments’, and the defaulting woman as someone who had ‘broken faith with the community’. These acts were committed with the full knowledge of NGO officers, but the officers did not participate in these collective acts of aggression. Instead, they threatened to withhold future loans unless the defaulted money was recovered. In instances where everything had been repossessed because of a large default, members would sell off the defaulting member’s house. This is known as house-breaking (*ghar bhanga*) and has a long history in rural society. It is considered as the ultimate shame of dishonor in rural society.”

accurately reflect the social conditions under which the credit was accessed, particularly as several studies have shown that microcredit funds are typically used to cover basic household items as opposed to expanding enterprise.

Aside from the visible monitoring methods previously referenced, microcredit renders the actions of the poorest of the poor more predictable.⁵¹ Predictability is assured as the group loan requirements limit mobility as the networks formed are often conscripted from families in similar predicaments with the funds are directed towards low risk ventures and by extension limit the physical mobility of recipients. More importantly, the possibility of random encounters (particularly for women) and inter-class interactions are limited. Had Professor Yunus not been physically present to gain first-hand knowledge of the credit crisis facing rural villages would we even be in the position to debate the successes or failings of microcredit?

Gendering Debt?

From a minimalist credit perspective, the provision of credit is the lone remedy that stands between the poor and their ability to actively participate and fend for themselves. This allows for the convenient packaging of microcredit as the solution to systemic economic barriers that prevent individual capacities for achieving self-sustainability. Consequently, existing social and cultural processes reproducing the spaces of inequality are above reproach, and are in fact mindfully absent from the discussion. A state's inability or unwillingness to provide welfare to its citizens or stringent patriarchal norms that reproduce gender inequalities is strangely silenced

⁵¹ Bauman (2001b: 141). Bauman equates power with the ability to 'break bonds' and escape dependency. "The new power hierarchy is built of speed and slowness, of freedom to move and immobility. At stake in the power struggles is the liberty of one's own movements, coupled with the constraints imposed on the movements of other. Among the most coveted spoils of victory is enhanced mobility, protected by 'slowing down capacity'."

in microcredit literature. What remains of the microcredit debate is the seemingly remarkable ability of women to repay their debt and become small-scale entrepreneurs as evidenced by several success stories. Operating outside of wage labour, however, microcredit has done little to challenge issues such as hours of work, working conditions and the active suppression of collective bargaining. Empowerment measures focussed on outcomes that are blind to gendered processes inherent in the delivery mechanisms themselves also fail to recognize the interests and priorities of donors and NGOs in deploying and directing microcredit.⁵² The motives of NGOs, the context under which they seek and access donor funds, and how they gain entry into host states need to be positioned within the 'empowerment' debate to gain a better understanding of the role played by institutions in altering gender relations.⁵³

But NGOs are not passive agents of capital. NGOs are also active producers of new subjectivities and social meanings for people through their various economic and social programs. Thus, the relationship between rural subjects and NGOs is contradictory and varied; they instrumentally exploit each other. (Karim 2008: 9)

NGOs operate within a highly competitive market where market share, reach and access to a limited pool of donor funds are actively contested. Conceptions of women as altruistic, caring and seeking to maintain respectability are all reinforced by microcredit, as are power relations within the family. The low levels of financial support being offered not only limits the risk assumed by NGOs, but also limits the capacity of the recipients to truly engage in market

⁵² Karim (2008: 6). Karim argues that microcredit works "...through and not against corporate capital, donors, state, NGOs, and members of civil society, and creates complex new maps of social interdependencies that are laden with the financial investments of multiple actors at the local, national, and global levels."

⁵³ Elson (1995: 1852). "Gender relations are understood as dynamic and historical rather than as static; that is as relations which are continually subject to decomposition and recomposition (Elson and Pearson, 1981) in planned and unplanned interactions between people (as individuals and collectives) and institutions."

relations on their own terms and outside of pre-existing cultural and social processes. Gender as a proxy for poverty becomes valued, measurable and consequently institutionalized, leaving the door open for commercial interests to vie for the profits. Commercial microcredit initiatives have also developed due in large part to the attractiveness of gaining access to networks of untapped borrowers in under serviced markets. Commercialization of microcredit could yield significant benefits to recipients in the form of longer maturities and more diversified funding sources (Bystrom: 2008: 2109). These initiatives would likely place a direct emphasis on economic returns and arguably be more transparent and accessible due to corporate reporting requirements. The ongoing debate facing the commercialization of microcredit will need to reconcile charging excessive interest rates to a captive client base to generate a return for investors with the original intentions of microcredit.⁵⁴ This is, however, precisely what institutions like Banco Compartamos⁵⁵ and other private providers seek to achieve. In 2007, this microfinance institution raised \$450 million through an initial public offering that valued the company at approximately \$1.4 billion (Daley-Harris: 2007: 28) and now serves over 2.3 million clients.

Educating 'Smart Women'

Microcredit-driven empowerment results from women's newfound ability to generate independent income, develop public networks and become recognized as 'smart women'.⁵⁶ What

⁵⁴ Yunus (2007: 66-70) proposes distinguishing between Poverty-Focused Microcredit Programs and Profit-Maximizing Microcredit Programs based on the interest charged above the cost of funds. Programs that operate in the 'Red Zone' charging interest rates of greater than 15 percent above the cost of funds are in 'moneylenders' territory;.

⁵⁵ www.compartamos.com (accessed December 8, 2014). It trades on the Bolsa Mexicana de Valores under the ticker symbol "COMPART".

⁵⁶ Schuler (2006: 5-8). 'Smart women' is associated with women who possess the ability to move about autonomously in public space while respecting cultural norms. "Smart women's intelligence was

remains unclear is the accounting of the social costs that accompany the provision of opportunities even if full credit is given to microcredit claims that the eradication of traditional forms of collateral and enforcement mechanisms has levelled the playing field. These non-descript costs borne by women in the provision of social collateral are real and impact daily experiences. As Mayoux (2000: 12) highlights, a major concern is that, "Women may simply be used as low-cost and reliable intermediaries between programme staff and male family members." Given several of the constraints and limitations of microcredit being identified, the capacity for unrestricted agency may rest with future generations as unfettered access to credit and control of financial decisions is undeniably linked to women's agency.

Access to improved education helps first-generation credit recipients understand the demands imposed by debt obligations, and further promotes increased opportunities for future generations of women.

Whereas microcredit and unskilled labor used to be seen as virtually the only options for women to increase their perceived value and influence within their marital families, education potentially provides a more attractive way for young women to enhance and secure their positions. (Schuler, 2007: 196)

Schuler (2007) provides an overview of the recent efforts in Bangladesh to promote development that are geared towards promoting education, inclusion, and reducing gender inequalities. In 1990, the government of Bangladesh adopted a policy of mandatory primary education and other policy measures including food for education programs, stipends for girls attending school and affirmative action measures promoting the hiring of female teachers. Along with the state, NGOs have also played an important role in providing various training programs designed to

invariably focused on ensuring their families' well-being. Thus, although the smart woman represents a largely new phenomenon, her social legitimacy is grounded in cultural values consistent with traditional gender roles."

alleviate poverty. The research indicates that enrolment rates in Bangladesh have shown a dramatic increase, with the number of schools nearly doubling in the 1990s. Interestingly, in 2004, female enrollment in both urban and rural settings was higher for women up to the age of 15, with the percentage of enrollment also being slightly greater for rural males and females than their urban counterparts. The disturbing trend, however, is the dramatic decrease in enrollment rates for men and women over the age of 15. Studies have also shown that net primary enrollment rates in remote rural villages can be as low as 20 percent. In addition, economic disparities continue to play a negative role in educational attainment.⁵⁷ Educational delivery mechanisms face the challenges of providing microcredit to rural regions and promoting the ongoing education of children with limited infrastructure.

India provides reinforcing evidence to suggest that microcredit initiatives coupled with other interventions can result in vastly improved access to education for daughters. Members of self-help groups that are part of the Indian District Poverty Initiatives that are considered to be ‘poor’ spend considerably more on children’s education than non-members. In the case of the ‘poorest of the poor’, members spent 25 percent more on girls’ education and 15 percent more on educating boys than non-members. In the ‘not-so-poor’ category, members spent 88 percent more on girls’ education whereas non-members spent 22 percent more overall on boys’ education.⁵⁸ The added investment in daughters’ education on the part of mothers may indicate

⁵⁷ Schuler (2007: 182). “The results of the 2004 Bangladesh Demographic and Health Survey also show the persistence of economic disparities in education. Although the gap in attainment between children from the wealthiest 20 percent of households and those from the middle 40 percent narrowed between 1993 and 2004, the gap between the middle and the poorest 40 percent widened”.

⁵⁸ Information based on Average education expenditure (rupees per child) among members of DPIP self-help group and non-members as presented in Table 4 of “Ripple Effects or Deliberate Intentions? Assessing Linkages Between Women’s Empowerment and Childhood Poverty” by Jones, Mukherjee and Galab, 2007. Average expenditures for educating boys were higher in every instance with the exception

that women, far from being docile and altruistic, recognize their own limitations and are actively promoting the advancement of the next generation of women to formally challenge gender inequalities. First-generation users of microcredit do not have the freedom to socially prepare and equip themselves with the skills needed to effectively negotiate the relations of dependence that access to credit assumes in the form of debt repayment obligations.⁵⁹ There is far greater hope for the children of microcredit recipients to tackle these challenges based on women's willingness to invest in their children. If generations of women become embroiled in low-return, debt-dependent relationships, then it could be argued that women are simply deployed as convenient assets for the end-purpose of re-producing future generations of workers whose primary contribution to society is servicing debt.

Discussion

Microcredit's ability to target poor women underscores the urgent requirement for class analysis to move beyond wage labour and re-define proletarianization, or possibly to discard such notions in their entirety. Induction into debt relations also provided several examples of how debt subject participants to multiple forms of surveillance and domination. For microcredit recipients, the rule of the husband was not eradicated or displaced by the rule of the market. The result was the subjection of recipients to multiple forces. The hidden nature of financial exploitation can often run *through* the family, showing that the approach deployed by debtors to

of the 15-18 age grouping for members in the 'not-so-poor' category. Of note in the data is that spending on boys' education was consistently higher than expenditure on girls' education. For the 'poorest of the poor', members spent on average 343 rupees on educating boys versus 255.52 for educating girls.

⁵⁹ Microcredit offers echoes of individualization where individuals unaccustomed to agency must seize opportunities and avoid pitfalls. "Opportunities, dangers, biographical uncertainties that were earlier predefined within the family association, the village community, or by recourse to the rules of social estates or classes, must now be perceived, interpreted, decided and processed by individuals themselves" (Beck, Beck-Gernsheim, 2002: 4).

insulate or expose their children to debt relations can have profound and ongoing repercussions. Whereas first-generation recipients can be viewed as performing a role, or as having an instrumental utility in the promotion of credit, the true test of debt dependency lies with the extent to which daughters are viewed for their debt-servicing capacity or as human beings. Access to microcredit also showed how credit can act as a coping mechanism that provides women with increased prestige in the family, even in cases where women exert limited control over the distribution of funds. Deploying debt as a coping mechanism contradicts the respectability associated with productive debt and future potential. Microcredit could also be viewed as a method of containment, effectively keeping the challenges facing the poor localized and the poor themselves contained and out of harm's way. If similar reasoning were extended to greater reliance on debt to achieve middle class lifestyles, can the challenges facing the middle class be similarly contained, and if so, at what cost to the respectability of the debtors?

Microcredit provides several avenues of research with regards to assessing how the transformation and democratization of debt alters the discourse of class analysis. It has shown how the poorest of the poor not only have value, but recurring value through the dependence created on credit for subsistence that span multiple generations and access to previously untapped markets. It is a model where ongoing participation is not offered voluntarily and continued extension of life chances is conditional upon continued good behaviour as judged by peers and is granted on the understanding that the entrepreneurial credit is extended to promote the consumption of basic needs and services. No longer is the wage relation the primary form of domination as microcredit clearly illustrates that the costs of surveillance, the training and monitoring requirements to remain in good standing, open debtors to multiple oversight mechanisms, forcing recipients to acquire new knowledge and remain vigilant in their efforts to

succumb to perpetual debt dependency. In order to assess if similar themes can be unpackaged from within the broader Canadian statistics that exhibited high levels of debt dependency and a highly concentrated distribution of wealth, the following chapter will examine first interactions with debt, views on the respectability of debt and how inter-generational wealth and financial awareness is generated and maintained.

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Chapter 5: Interviews

Leveraging the phenomenographical approach is to pursue what Marton (1981) characterized as the third line of phenomenographic research that explores the way in which people make sense of their world. Learning methods deployed to interact with debt are as varied as the backgrounds of the retirees who took part in the semi-structured interviews. In going through the transcripts and recordings, direct parallels can be made to the previous warnings regarding the necessity of making clear distinctions between activities that are entered into willingly as opposed to forced or coerced.

What is phenomenography?

Phenomenography was pioneered in the early seventies to study different ways that people can approach, perceive and experience a phenomenon. “While any phenomenon encountered by an individual may be infinitely complex, there are also a limited number of critical features that characterize any phenomenon” (Joosa and Berthelsen, 2006: 47). Phenomenography seeks to identify the collective experience captured within qualitatively different accounts of a phenomenon. This is accomplished by adopting a second-order approach to structure the research questions. “Through this perspective the researcher is oriented towards describing people’s way of seeing, understanding and experiencing the world around them...Consequently, the second-order perspective has influence on ways in which research questions are formulated, posing questions of a ‘how’ and ‘what’ nature instead of ‘why’ (Yates, Partridge and Bruce, 2012: 99).

The aim of the research programme argued for in this paper is not, however, to classify people, nor is it to compare groups, to explain, to predict, nor to make fair or unfair judgements of people. It is to find and systematize forms of thought in terms of which people interpret aspects of reality – aspects which are socially significant

and which are at least supposed to be shared by the members of a particular kind of society; namely, our own industrialized Western society. (Marton, 1981: 180)

While phenomenography is typically deployed to examine learning strategies in educational fields, its application is particularly relevant to the study of debt relations as the ambiguity surrounding what it means to be indebted from a class perspective will not be resolved by classifying respondents, instead, by viewing debtors as ‘students’ the goal is to reveal collective truths that may serve to inform strategies to minimize the negative consequences of debt and to determine if these strategies are more likely to originate from policy reforms or class action. This could also be seen as trying to determine how best to maximize learning outcomes, how to best position debtors to succeed.

In reviewing the research strategy, two questions on the part of the readers are likely to arise. The similarities between phenomenography and ethnography may lead some to question the novelty of testing the phenomenographical approach toward debt relations. Richardson (1999: 58) distinguishes the two approaches by focusing on the participatory nature of phenomenography whereby the researcher need not themselves be embedded directly in the processes that constitute the focus of the study. In this case, while the researcher has undoubtedly been exposed to varied experiences with debt, the particular experiences held by retirees are unique to those in that stage of life. The second distinction made is that ethnographers challenge the findings of the interviews as opposed to phenomenographic researchers who treat “all experiences of the phenomena of interests as logical and valid” (Yates, Partridge & Bruce, 2012: 99-100).

Phenomenographic researchers are different from contemporary ethnographers in this regard, too, because they do not adopt a sceptical attitude towards the statements that made by their interviewees. On the contrary, the accounts produced by students

concerning their experiences of learning in higher education are usually accepted at face value. (Richardson, 1999: 59)

Another component of the phenomenographical analysis contained within this section that may cause concern is the reliance on a limited population of seven interviews. The reliance on a small population is a result of several important factors. The interview participants were identified through purposeful selection. This non-random selection approach produces significant amounts of data that are directly relevant to the investigation of debt relations and potential class implications.

While there is no prescriptive sample size for a phenomenographic study, Bruce maintains this needs to be of sufficient size to gather suitably rich descriptions of people's varying conceptions about the phenomenon of interest (1997). Trigwell (2000) and Bowden (2005) similarly agree, and propose that the sample size for a phenomenographic study is influenced by two factors. In the first instance the number of interviews conducted needs to be sufficient to allow for finding variation in conceptions. Furthermore, sample size must also ensure that the amount of resulting data remains manageable. Other authors propose sample size is determined by a saturation point, with data collection continuing until no additional conceptions of the phenomenon under investigation can be discerned (Dunkin, 2000; Morse, 1994; Sandberg, 2000; Trigwell, 1994). (Yates, Partridge & Bruce, 2012: 103)

Several phenomenographic studies conducting preliminary research rely on small samples across varied areas. These examples include Joosa and Berthelsen's (2006) study on parenting a child with Down syndrome (sample size of five) Yates, Partridge and Bruce (2009) work on health information literacy for ageing Australians (sample size of four) and Doyle and Lister's (2007) study on Unix programming that relied on nine interviews. In discussing this concern, the authors note:

Inevitably, a good portion of the readers will be troubled by the small sample size for this phenomenographic study (i.e. nine academics).

Phenomenography is a qualitative research method, not a quantitative method. From the data presented, it would be appropriate to speculate upon the popularity of any of the above categories. To make such conclusions would require significantly more data and a different research method. The aim of phenomenographic analysis is merely to capture the full spectrum of diversity, not quantify it. (Doyle and Lister, 2007: 24)

The information-rich and targeted semi-structured interviews that were conducted provided significant amounts of data that successfully produced the required baseline data for exploratory research designed to capture and characterize the phenomenon of debt.

Research Strategy

The research strategy deployed to analyze the interviews recognizes the profound need to decouple the research claim from the analytical baggage acquired over the course of a decade's worth of investigating debt. The final conclusions that are drawn from this research are a result of successfully distancing oneself from self-inflicted theoretical wounds caused by pre-packaged conclusions. Without this distancing and external validation, the story of debt and class could not be adequately told.⁶⁰ The focus is firmly placed on discovering the merits of the research claim through a mixed methods approach that draws from historical and contemporary analysis that is re-framed and challenged by the collective findings and categories that emerged from the semi-structured interviews.

⁶⁰ Atwood (2008: 86) argues that debt has been present in stories for a very long time, and this claim is supported by the research of Williams (1968: 65), who noted that in the stories of the 1840's, the loss of fortune was a normal element in the story, and Watts (2003: xvi), who was able to locate literary passages dealing with economic themes in novels at will, however, fictional literature's ability to complement other fields of study is not restricted to the domain of economics. Kuzmics, (2001: 118) also makes the case for the strong links between sociology and literature, "Lepensies' manifold examples, from French, English, and German, are proof of the existence of both competition and complementarity in the relations between sociology and literature. He is thus able to show that Thomas Mann can claim priority over Max Weber as a discoverer of the 'Protestant work ethic' in his *Buddenbrooks*. Indeed, Marx frankly admitted his debt to Balzac as the most authentic chronicler of the bourgeois world."

The research strategy and its focus on retirees builds on several reports that highlight the prevalence of retiring with debt has been increasing in recent years despite record low interest rates. In addition to tacitly exploring this phenomenon, the interviews also set out to validate the extent to which popular culture's views on debt had shifted away from seeing debt problems as 'moral depravity' towards viewing debt burdens as understandable and largely caused by uncontrollable external factors such as market shifts, unemployment, illness and divorce (Baucher, 2005: 339). Debt, as perceived by retirees, will serve to examine societal views on indebtedness and explore whether or not class plays a role in this determination. The overall strategic approach of identifying individuals with some financial knowledge was not without its limitations. The majority of participants were gainfully employed throughout their adulthood with many actively participating in financial matters as part of their employment. Retirees that took part in the interviews held various types of employment, including a bankruptcy trustee, teacher, corporate banker, accountant, auditor, and policy/government occupations. While the approach will be demonstrated to have successfully shown the diversity of views on debt and life-stories, it also created by default a pool of participants who would for the most part be considered well off. The intent behind recruited members of the NMC was to explore whether similar approaches to engaging with debt would emerge in order to identify collective meaning through what is traditionally considered as a heterogeneous group.

Analysis of the interviews relies on a blended approach that explores the dynamic and mutable impacts of debt on how class is perceived. Imbued with both positive and negative attributes, debt is viewed as a phenomenon through which the researcher can fully investigate the concept of class as a moving target representing dynamic interpretations of reality. The interviews evoke varied possible such interpretations, however, within these interpretations the

objective is to discover collective meaning to locate the NMC and capture how debt influences how class itself is learned and lived. Debt relations are theorized as being inextricably linked to class as expressed in practice, or lived experience, by how debt obligations are entered into, managed and avoided. For these reasons, a phenomenographic (Marton, 1981, Ashworth and Lucas, 1998, Akerlind, 2012) approach was employed to allow the experience of the interviewees to surface and direct the framing, content and substance of the collective findings. As part of the phenomenographic method the researcher must shift their attention "...from the individual subjects (i.e. from the interviews from which the quotes were abstracted) to the meaning embedded in the quotes themselves. The boundaries separating individuals are abandoned and interest is focused on the 'pool of meanings' discovered in the data." (Akerlind, 2012: 118). The approach is blended in the sense that the focus of the primary research is on the experience-as-described that is then juxtaposed against secondary research that informs and grounds the possible interpretations of debt. While the analysis also explores the cultural characteristics of debt, particularly in relation to debt forming a language and code of practice typically attributed to ethnographic approaches, the experiential lens possessed by retirees, their decades worth of debt interactions is not something that can be co-authored by researchers that do not find themselves in the same predicament. The interviews are not used to generate theory, but instead search for common approaches to making sense of debt and to uncover categories capable of defining the boundaries of class analysis.

The practical methodological approach requires verbatim transcriptions of the interview and in-depth and repeated attempts to find the underlying meanings and common tactics deployed to understand the phenomena of debt, independent of the researcher's presuppositions. To this end, the semi-structured interviews provided participants with a brief overview of the

research puzzle without explicitly specifying its full intent. The questions themselves, while initially framed into general themes, sought only to structure the lines of enquiry and not limit or influence the conversation. The transcripts and recordings were then subjected to multiple sessions in order to identify the categories of description that framed the collective responses of the participants.

The categories of description constituted by the researcher to represent different ways of experiencing a phenomenon are thus seen as representing a structured set, the ‘outcome space’. This provides a way of looking at collective human experience of phenomena holistically, despite the fact that the same phenomena may be perceived differently by different people and under different circumstances. Ideally, the outcomes represent the full range of possible ways of experiencing the phenomenon in question, at this particular point in time, for the population represented by the sample group collectively. (Akerlind, 2012: 116)

The categories of description are formed, discarded and refined as the researcher redefines them as new methods of interpretation emerge and the relationships between categories crystallize. Despite the rigidity of the semi-structured interview, the varied interpretations of questions led to distinct responses and categorizations that reinforced the complexity of debt and its growing acceptance in the world. The questions asked of participants were designed to probe interactions with debt and attempted to unravel how these interactions were mediated by learned behaviours and common responses to the cultural rituals associated with the assumption of debt, from first memories, to how financial knowledge is acquired, and how this knowledge is packaged and presented to future generations.

A final point on the interviews, while no conscious efforts were made on the part of the researcher to restrict the pool, the effort to focus outreach efforts on participants with financial literacy may have also inadvertently restricted participation to males. While in many instances the familial concerns raised throughout the interviews did include the views and contributions of

women in navigating debt and maintaining the financial security of the household, this shortcoming is perhaps the greatest limitation of the research that could be supplemented by future examination. Comparing the relationship of women and debt to the findings of this research would undoubtedly yield further insight as to the possible impacts of debt on class formation and reproduction.

Throughout the interviews the most prevalent strategies of learning can be described as: 1) hands on, or being directly immersed in the debt relations for extended periods; 2) direct interaction through trial and error, experimenting with different debt tools for shorter or defined time periods; and 3) learning from a distance, which is referred throughout as ‘post-emotional’ learning which builds on Mestrovic’s conception of feeling from a distance (Rodger: 2003). The strategies of learning identify how the information is acquired and in turn further processed by the individual.

The emerging categories of meaning extracted from the interviews are driven by four intentions of learning. Based on the analysis conducted and the emphasis placed on the various responses by interviewees categories of meaning emerged around four primary elements that shaped how lessons were learned as depicted to the right. Each category was accompanied by a primary driver or desired outcome. Planning for

retirement was heavily influenced by the need to find information; gaining experience was intimately associated with transitioning to adulthood; strengthening family was firmly rooted in being the example for the next generation; and finally; judging from a distance influenced shaping self-identities and reinforcing class perceptions.

The resulting hierarchy derived from the analysis places a greater emphasis on the qualitative aspects of learnings. The “how” aspect of learning will serve to delineate the limitations and strengths associated with seeking applicability of this method of analysis to draw out class implications and bring a new twist to traditional class studies. The strategies of learning and intentions of learnings are further defined below. In adopting this approach, the intent is to use the body of evidence to depict a general narrative of how individuals’ view debt and how debt influences decision-making processes and to gauge if this approach can contribute to the overall understanding and identification of class processes. The views expressed in the interviews will be presented at length to provide a comprehensive overview of the collective findings emerging from the verbatim transcripts. In order to diffuse the links to employment, a cursory overview of each individuals’ employment history and retirement situation is included to introduce each participant and to provide greater context should future analysis choose to either challenge or build on the data set. Note that given the exploratory nature and uniqueness of this approach that the full transcripts have been provided in the Appendix to allow for the future expansion and validation of the preliminary findings.

Category 1: Planning for retirement – Finding Information

With the profile of interviewees taking part in interviews, planning for retirement was top of mind with all participants having retired within the last 10 years. In fact, planning for

retirement may be a misnomer as it became clear that retirees spend considerable time planning during retirement as well. Expectations for retirement were aligned to what I would consider to be pre-established common conceptions of retirement aspirations in that retirees were interested in being able to enjoy active lifestyles and to take part in social activities without the limitations of work or financial considerations. What was perhaps more noticeable was the limited emphasis on retirement planning, in that financial security appeared to be largely a fait accompli by the time retirement age was attained. In this regard, there was a general sentiment that retirement comfort resulted in large part to having taken the proper decisions throughout working careers as emphasized by Tim, having retired only three months prior to the interview from a lengthy and successful career conducting audits and evaluations.

I know that it sounds callous. But a lot of life's experiences are a result of decisions. If you consistently make bad decision you may not have an enjoyable life. At some point you need to scratch your head and ask yourself if you're making wise decisions. If you leave school early to go paint the pipelines in Northern Alberta, okay, maybe try to invent a new paintbrush to compensate for that otherwise stay in school, get an education, do something and you can probably provide for yourself.
(Tim)

Overall, there was limited concern over retirement planning but as noted by several respondents, getting older doesn't just sneak up on you. These findings were at odds with recent surveys, including one conducted by the Brondesbury Group (2013) that retirement planning should be a matter of greater concern for Canadians. The report highlights that 25% of the survey sample of Canadians over 50 years old expected to possess home mortgage debt into retirement and that 20% of households had no idea how much money they had set aside for

retirement.⁶¹ This was not the case for the interview participants as retirement planning was top of mind with many taking active measures to monitor spending and run different financial scenarios to have a realistic grasp as to what kind of lifestyle could be maintained. Having spent his career as a corporate banker, Barry, now nine years into an active and fulfilling retirement understands the importance of prudent planning and recognizes that even the best planning is no guarantee of success.

Even though you believe you've made all the right calculations and assumptions and forecasts and whatever, things can always go awry. So you can always have some back of mind, geez, I hope I made the right calculations and things we expected to do and the expenses we forecast are going to be accurate. There was no real concern, just what I'd call a natural sense of caution. You know, it's a long future. Let's hope that the calculations we made were factual. (Barry)

The ability to make these calculations, while second nature to Barry due to employment history and exposure to finance, are skills that can be difficult to acquire. Exposure to financial advisors through workplace seminars and through hands on experience related to personal investments was often the extent of financial knowledge possessed. Finding information was for the most part, however, seen as the responsibility of the individual. The role of government in promoting general financial literacy drew stark recriminations on the part of most participants who worried about the heavy handed and lack of nuance in the approach government's utilize. John, a professional accountant for 25 years now into his fourth year of retirement prefers government to focus on areas of 'common good'.

I'm of the opinion that government should stick to what government should be doing and focusing on areas of common good but not delving into things that should be dealt with by the individual. I guess what I'm saying is that each individual has to

⁶¹ Weinstein, Edwin L (2013). Home Equity as a Source of Retirement Income – Investor Education Fund. The Brondesbury Group, Toronto, Ontario. <http://www.getsmarteraboutmoney.ca/en/research/Our-research/Documents/IEF-2013-Home-Equity-as-a-Source-of-Retirement-Income.pdf>

take on a level of responsibility for their financial affairs and their financial intelligence. You can't really expect somebody else should be out there making sure that you have the background and information you need. (John)

While it would be interesting to delve deeper into why financial awareness fails to warrant government intervention as a common good, the rationale for keeping the government at bay potentially lies in what happens when government is allowed to dictate what sets the parameters for the learning requirements. Curt, now five years retired after having spent his career working in commercial insurance had limited faith in the government's ability to provide a fair and reasonable approach to providing financial knowledge and respecting differing circumstances.

The problem with that is that it's a pretty heavy hand shall we say. There's not a hell of a lot of nuance. For example, everybody's circumstances are different than their neighbours. So for some people saying they are in a bad debt situation, I mean what is an untenable debt situation for a person? It really depends on the person. If you're talking about buying big assets, mortgages, I think the role of government to decide maximum terms and down payment is the right and proper thing to do. I know a guy at CHMC, interesting organization. But in terms of consumer debt, saying it's way too high, Bank of Canada etc...But how can you say way too high? Same goes for Government? It's very difficult to have a rule for consumer debt. (Curt)

Barry, while recognizing the role of the individual for finding information, also noted the potential benefits of formalizing basis knowledge through prescribed institutional learning at younger ages. As will be noted in subsequent sections, initial learning was often resulting from hands on experience with individuals learning by doing more often than not.

Yes and no I guess. I've seen far too many people with not a clue of how to manage their finances. I find it shocking. To me I fault partly the education system. Even in grade school, that pay yourself first thing is very easy to understand. With my dad, the Montreal Savings and District Bank, they gave out these little piggy banks and you put your loose change in it but it was encouragement to save the money you got, not all of it, like everyone else I wasted some of it on candy or whatever, but I think some of that is lacking. Just like you can't count on your parents to teach you English, math and social sciences and all this sort of stuff, that's why you go to school, I think there's some responsibility on the part of schooling even at the grade

school level to have an introduction to finance at the very simple level. Save some of your money, don't spend it all, rainy days do come along and reinforce that when you get to high school, so too much is left to chance. (Barry)

Another important factor that influenced approaches to retirement planning revolved around the pervasive financial uncertainty triggered in the 2000s that is arguably still at play. Many of the interview participants either personally experienced financial losses or witnessed individuals who lost a significant amount of their retirement savings between 2006 and 2009 and these reverberations were felt across the board.

It was certainly a highly stressful time where you start re-examining all the calculation we'd made pre-retirement and we're thrown into doubt. Worse comes to worse, we still had our house and no mortgage, had pension incomes, so we could always get by and wouldn't be out on the street. Plans for grand trips, or this that and the other thing could always be cut back. We'd identified where we could cut back but we've always lived within our means and a lot of spending is highly discretionary. So it would be a change in lifestyle as opposed to hardship. A period of great stress and even lingering, even though it happened a long time ago, it's still in the back of my mind. (Barry)

Some of the lingering effects of living through tumultuous times may have resulted in stricter approaches to paying off debt and planning for retirement in general.

I think, partly, because these situations happened early on in my career. And these individuals were older but not ready for retirement and they never recovered and it has an impact. Having said that, now I worked for Bell Canada for a number of years and for the last 15 years Bell had continuous downsizing scenarios that they went through. And each time that a downsizing exercise happened everyone was on edge because you never knew who was going to get hit. I've been through, I would say, eight or ten of these and when you're hit it's devastating. I've never been in that situation, I was very lucky, but I knew a lot of good friends who were shocked and devastated...When downsizing exercises happen like that and you have kids and a mortgage it's a risky scenario. You don't want to subject your kids to restrictions and not give them the type of things that they would like or need and expect or have grown up getting used to. For me, it was a very very very conscious thing. It drove me even more to pay down my debt. I was under the thought that it was just a matter of time before I would get my shoulder tapped. Even from the first couple of

exercises I was focused on eliminating debt and make sure that my skills were as up to as possible so that I'd be able to move on to something else. (John)

And while it is likely not in anyone's plans to be servicing living expenses via debt into retirement, we know that this is occurring. Whereas retirement once meant being financially well-positioned to no longer have to work, more and more seniors are extending their working careers due in part to their financial obligations. Participants held many views on employment into retirement, some of which are based on the need to stay active, both mentally and physically. The majority of responses conveyed little need or requirements to work although some individuals were in fact working to supplement their income. Responses regarding the prospect of returning to the ranks of the gainfully employed show that this eventuality is rarely part of the game plan.

Me? Are you crazy? Not only was I never tempted to go back to work but I mock people who do. If you want to go back why did you even leave in the first place you know? And even if you're double dipping, time is worth everything. Nobody has ever had on their tombstone, "Jesus, I wish I had worked harder and longer." No one ever says that! (Curt)

No, never (Laughs). People used to ask me how long it takes to adjust to retirement. I'd say that on the first Monday morning the alarm went off, I shut it off and went back to sleep and I was adjusted. (Barry).

There is of course a stark contrast between the fortunes of individuals who had the ability or the good fortune of having gainful employment throughout their entire careers. As Paul, one year into retirement, highlights from his 30 years of experience as a bankruptcy trustee, one of the key contributing factors to debt problems in retirees is the disruption of employment toward the latter stages of one's career, particularly a worker with non-transferrable skills employed in seasonal trades or specialized industries.

All of sudden your severance package is finished, your EI starts, you still have a few contacts but you're now a year and a half down the road. You couldn't believe that you'd be out of work for a year and half because you were so well known and a smart guy. Now all of a sudden it's three years along and you still don't have work because everyone is in the same boat. You don't have any other skills then being a reporter and you're 55 years old. There you go. You're stuck. (Paul)

Job prospects, however, were not as limited. In fact, several participants indicated that within the professional ranks many contract opportunities are available to quality individuals if they are so inclined. Age was not seen as a limiting factor with many companies valuing the expertise and work ethic of tenured professionals. Many different motivating factors were brought forward for why people felt the need to return to work, including money, social interaction and quite simply, alleviating a bit of boredom.

Money I presume. Money or a lot of people get bored easily. I think a lot of people like the social interaction of being at work and all that other junk. It makes them feel important. I know a lot of guys still at work who will have a hard time. One friend's a vice-president, he's going to have a hard time retiring you know, it makes him feel like a big man. But I remember a few years ago, I was retired and my wife wasn't, and we went to Amelia Island, the last of the sea islands, the only one in Florida, right at the top, just north of Jacksonville on the Atlantic coast, really neat little island. We're at Amelia Island, neat little town with all these cheap little stores, and I'm sitting out there, nice sunny warm day in March. I'm sitting out there and I see a very well-dressed guy, a little bit older than me and he was probably a retired executive or something. And there he was trailing along behind his wife just like I am, and I say, "You're just a schmuck now buddy!" (Laughs). We're all just schmucks, old retired schmucks that nobody want to have anything to do with! (Laughs). (Curt)

Maintaining contacts pre and post-retirement were attributed nearly as much importance as the need for prudent planning. Contacts were maintained through charitable work working as board members for not-for-profit agencies and keeping in touch with former colleagues. Returning to work was not a taboo subject for many who were willing to keep their name out

there on the slim chance that they could be cajoled back into the formal workplace. Nearing two years of retirement from the public service, Sam was open to employment prospects.

Well, yes. I've considered it. The issue for me is that winters are not my season. My wife, oddly enough, was not encouraging when I said that I'd go down south and spend the winter without her. She thought I might get lonely. I was made to feel guilty enough that I didn't go which resulted in me being here for the worst winter we've had in years. Anyways, for me in order to get out of the house I actually took a job. So I do a part-time job a couple times a week. It's not very lucrative but after the fun wore off it's now just a job like any other. If I was going to continue to work part-time I would maybe look into getting something more lucrative. (Sam)

The interviews also showcased just how busy retirement seemed to be. This was explained as being the active phase of retirement where mental and physical faculties still allowed for fulsome engagement.

One of things I have noticed is more and more old looking people still in the workplace. And I'm noticing it now in the service industries, the Walmart's, fast-food restaurants, places like that. So I'm guessing those folks are doing that to supplement their income because they need to. I'm not sure that's a bad thing. If we're going to live 20-25 years longer than our parents I don't think sitting on the couch with a remote is the answer. If going out and staying active in the community by being a Walmart greeter is something that you want to do then I don't see anything wrong with that. (Tim)

Marc, 8 years retired from teaching, always anticipated a busy retirement and taking on part-time jobs out of a desire to 'stretch the brain' and try new things. Of particular interest here is the foreshadowing of generational considerations as Marc showed reluctance to impede the job prospects of the younger generation.

I've picked up a number of part time jobs here and there, most of them are short term, and that's absolutely perfect because I did not want to be working through some kind of full time job taking away the position of some younger person. I just wanted something that would keep me making a little bit of money and also stretch my brain which is very important once you're retired...I do some interior painting and it's almost by word of mouth that you'll find somebody wants some room

painted. They don't want a professional job, they just someone to help them come in and spruce things up. So I've done a lot of that actually. Again, if you know somebody, before you know it you've got yourself working in many places. In fact, I've had to learn to say no. I could potentially be working seven days a week. (Marc)

Even with the best of planning, participants were acutely aware of the precariousness of life and how quickly situations can change. There is an undeniable realization that the active phase of retirement is fleeting.

Our society has a real screwed up way of dealing with aging. Currently, the way things are going I don't know if retirement homes or nursing care will be available or affordable for my generation which is the tail end of the baby boomers. Boomers are all going to start sucking up everything to do with again and I'm afraid that's going to result in increased pressures and pricing and so on. I know that my wife's biggest fear is that she will run out of money before she kicks the bucket but me I don't worry about that because you know, I figure if I ever get to the point where I don't have any money that I'll go on welfare or the state will take care of me. Maybe they'll put me out on a nice ice flow like the eskimos used to do. Whatever. When you get to a certain age it really doesn't matter. I visit my aunt who's 94 in the nursing home there and the hallways are full of people drooling and shitting their drawers so you know, I'm not quite sure how that qualifies for value of life... You get to a certain point in your life, at least me in my middle class life where I'm comfortable. I've been comfortable for quite a few years and I have plenty of money. I could go and buy anything my heart desires I suppose, within reason, and still have money left. I don't need a \$100,000 car or \$300,000 cottage. I don't need any of that crap really. I'm really quite happy to drive a \$20,000 car or a \$5,000 car if it came to that. My house is my house. It's paid for, well maintained and what not. Until they lead me out of here, or take me out in a box, I guess this is where I'll stay. (Sam)

The promise of active retirement was always counterbalanced by the notion of time. Participants were acutely aware that time, that plays such a crucial role in determining interest payments and repayment terms, can weigh heavily on the purse strings and consequently impact health.

If you have to pay la mordita every month that means you're not going to have extra money to allow you to take a trip or whatever the case might be. That's a lot of what

retirement is about you know, getting away and enjoying yourself as much as you can, while you still can. It's like, one of the funnier things was, I'm 64 now, when I turned 64 I got the letter from the Government about my old age pension which immediately, you don't have to sign up for anymore, they just give it to you. But, they said, amusingly enough, if you didn't take it when you're 65 and take it when you're 70 you can get up to 30% more. So I sit down with my trusted little calculator and figured out that the crossover period of 5 years taking it and the extra would make a difference was something like 82. A, I'm a big man, the odds of me making it to 82 are sort of 50/50 # 1, and # 2, what the hell are you going to do with an extra \$300 bucks when you're 82 years old! (Laughs) Completely ridiculous eh? Just to save them a few bucks. I was very amused by that. Typical government trying to seduce people who live in fear of being 90. Now, my old man lived to be 92, or was in his 92nd year and I can tell you the last couple of years he wasn't doing much. Up until then he was still going on a couple of cruises a year with my aunt and enjoying life. But the last two or three cruises he was having a hard time getting on the ship, and you know, you're like a clock. You wind down. We've got another uncle who still plays golf who's 92 now, but for most people the clock runs down, it runs down. And all of a sudden you can't do a lot of stuff. And when you don't do a lot of stuff you can't spend a lot of money. (Curt)

Implicit to these points of view is the ability and flexibility to meaningfully manage the distribution of your income when well positioned to reap the rewards, whether those rewards be travelling or simply living without the burden of worrying about paying the rent. Excessive debt burdens reduce this space of contentment by occupying people's thoughts with what occurs if their lifelong partner passes and the lone remaining sources of income no longer cover living expenses or future uncertainties. The joint debt burden lives on despite the reducing incomes. Seemingly untouchable retirement pensions are also very much in play as well during times of financial distress.

Well my father worked at Stelco for 31 years and ended up with a decent pension. My father passed away and my mother who is still alive is receiving the survivor's part of that and it's just enough really to keep her going in her apartment. We keep hearing that with US Steel having taken over that they may be pulling the plug so we don't know if there will be any cuts. Some people are saying 40% cut to the present pension Stelco workers are getting. Forty percent off of what my mother is making

will make it very difficult for her to survive month to month. Certainly a concern that runs through the entire community. (Marc)

Moving through the learning hierarchy, the data collected suggests that planning for retirement and ensuring manageable debt levels are more greatly influenced by learning activities that were directly experienced well in advance of the golden years.

Category 2: Gaining Experience – Welcome to Adulthood

Debt related questions focusing on personal interactions often started with the proverbial trip down memory lane, whether that trip was taken in a 1974 Plymouth Duster, a FIAT 128 or a 1968 Dodge Monaco. While a great many things impacting debt relations has changed over the last 50 or so years, factors driving debt induction remain unabashedly unchanged in the form of cars, schooling and housing, often stirring up vivid memories.

The first debt I ever took was I borrowed a \$1,000 from the Bank of Montreal... Anyways, I borrowed \$1,000 because I was moving out west to join the Saskatchewan Department of Health and I knew that I would have to buy a car. So I went into the bank, and they lent it to me. But they would only lend it to me if my father was the co-signor, was my guarantor, which he very reluctantly did knowing me to be a bum and completely unreliable (laughs). But that was my first big loan. I think that I had student loans too. In those days, the first part of every loan was a grant, up to \$600 or something like that. I think I came out of 5-6 years of education owing about \$1,200 or something like that...It was a horrible car. I had the choice of two cars. One was a brand new FIAT 128 and the other was a Volkswagen Super Beetle, nice looking car, but it was used and I was a bit leery. So I got this FIAT 128, which was the worst damn car. I used to call it the Singer Sewing Machine car because that was the engine, and I had a good friend of mine in Saskatoon, I was in Regina, and the gas tank on that car was so small even though I probably got enormous miles to the gallon. You could literally pick up that car. You couldn't make it on a tank of gas from Regina to Saskatoon, which is like a two hour drive. You had to stop and get gas. And in those days, there were no gas stations on the highways so you had to pull into these small prairie towns and hope to hell there'd be a gas station open, so I'd be in constant fear. I'd go up in the winter, trucks passing, piece of crap, and worst car in the world. Terrible car. (Curt)

Induction into debt relations were in every case linked to circumstance in that the debt would be considered productive debt in the sense that it allowed the individual to gain valuable experience through furthering their education and being able to meet work commitments. For both debtor and creditor the promise of future earning potentials mitigated the short term risk. The ‘piece of crap’ however, still played an important role in terms of transitioning to adulthood.

Until you’ve become a debtor, you’re really not an adult, you’re just some kid still wandering around. Being a debtor in our society is sine qua non to being an adult, being someone who has responsibilities. And one of those responsibilities is to service your debt and use it to buy assets to raise your family. I mean that’s the way the world works. (Curt)

And the way the world works, is technically to provide financial opportunities to individuals with solid credit ratings and encourage fiscally responsible behaviours.

When you take on debt you’re obligated to pay it back. The only debt that I was reticent not to pay back was my student loan and that was just because of the timing of the thing I guess. There was no hurry to pay it back and the government didn’t seem to mind, so I didn’t rush to pay that one back but it eventually got paid back. Having that debt actually helped me to establish a credit rating that enabled me to get the first loan that I needed to purchase a home. (Sam)

For most of us housing will represent the largest expense of our lives that will be paid off over the course of many years. Statistics indicate that more and more seniors are retiring with debt, so are retirees consciously breaking rule the golden rule, to retire mortgage free?

When we winter in the south and you’re sitting around the community pool you can’t help but hear what people are talking about as they float in the water, right at your feet so to speak. One of the things I hear often as a topic there amongst the Americans is how someone just found a new mortgage rate, and what a great deal they got and something along those lines. It’s always struck me that your Canadian rule of thumb is that you don’t retire until you’re mortgage free. That would sort of be rule #1 in my thought process. (Tim)

Within housing as seemingly across all aspects of debt, differing points of view abound and wear on individuals in unique ways. For example, manageable debt levels backed by solid savings and earnings potential resulted in little if any stress on the part of some participants.

No. You have to understand when I bought my first house I was 25 years old with a significant down payment. The outstanding mortgage was \$50,000 and with the employment background I had the bank knew that I could easily manage that debt. (John)

Here there needs to be a clear distinction made between desire to eliminate debt and actual capacity to do so. The ability to pay off mortgage debt quickly results in significant long-term financial benefits over individuals who continue to pay down ‘la mordita’ up to or beyond retirement. This divergence of promise versus practice illustrates where incomes and professions fail in depicting real lived class experience. Even minor advantages bestowed by heredity or employment significantly alter the playing field.

And at that time, on a bank initiated transfer as an employee at the level that I was at, if I bought a house that was no more expensive than 4x the mid-range of my salary level, the bank would provide a very significant chunk of mortgage financing at 0% for the first three years, 1 percent for year 4, 2 percent for year 5 and 3 percent thereafter. Every time another bank initiated transfer came up they re-set that clock and those levels. What it enabled us to do at a fairly young age was to acquire real estate that would normally have been way beyond our means, and bear in mind once you get into I think, early 80s, I remember when prime rate was 18 and a quarter at its peak prime rate. Canada Savings Bonds were paying 11 percent and interest if you were an investor. That’s hard to fathom right now. The result being by the time we were in our early 30s, we were able to live in a nice house and the interests costs of borrowing were a fraction of what the public was paying. I got transferred to Peterborough and I recall we bought a house that was somewhat more expensive than what we’d agreed we’d spend and we took out a bit of a second mortgage and I remember we were paying 0 percent to the bank on the first mortgage and the second mortgage was costing me 14 $\frac{3}{4}$ percent which was idiotic. Anyways, it all worked out. (Barry)

So what is the true value in getting a leg up in the housing department? Seemingly insignificant changes to the interest rates and some additional cash flow can mean the difference between being unable to manage debt obligations to have a little surplus at the end of the month or having the necessary 20 percent down payment on a mortgage and being forced to obtain mortgage insurance to protect the lender. As Curt noted, not a lot of nuance or subtlety in the government's approach as rules are put in place for individuals unable or unwilling to put in place restrictions on personal expenditures and banks that were extending housing loans unimpeded by onerous regulations.

I remember the rule of three, or something along those lines. A single expenditure shouldn't take up more than 1 month of your gross income. A luxury item like a car or something shouldn't take up more than three months. And a house shouldn't cost you more than three years. Somewhere along the line that got drilled into me. Do I remember my parents talking about money, no I do not. I do remember my son asking my father how my father came to be as well off as he was and my father responded, it's easy, just don't spend it. So did those things trickle through, it probably did. (Tim)

The median household income in Canada in 2012 was \$74,540.62 Canadian Real Estate Association data shows average housing cost in Canada of \$398,618.63 The rule of three doesn't quite cut it anymore, falling over 40 percent short of what is required. Not that long ago that Tim's rule would have made perfect sense. In fact, 30 years ago it probably would have seemed far too conservative. In 1980, three times the median salary in Canada far exceeded the average sales price where the median income represented 95 percent of the average sales price. The chart below shows the remarkable growth in average home sales price, a 421 percent growth from 1980 to 2010 compared to a 13 percent growth for median incomes for economic families.

⁶² Statistics Canada. <http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/famil107a-eng.htm>. Accessed November 5, 2014.

⁶³ CBC News. <http://www.cbc.ca/news2/interactives/housing-canada/>. Accessed November 5, 2014.

Tim's Rule

	1980	1990	2000	2010
Economic families (Median Income)	59,600	56,700	58,700	67,400
Average Home Sales Price	62,748	141,438	159,511	327,225
3x Median Household Salary	178,800	170,100	176,100	202,200
Average sales price / 3x Median Household Salary	35%	83%	91%	162%

The interviews conveyed stories of parents milking mortgage loans for as long as possible, down payments placed on credit cards or minimal savings. Compare that now with requiring the 20 percent down payment to avoid additional charges and debtors with the financial capacity to do so who are doing their utmost to kill la mordita as soon as humanly possible.

It's interesting. I've never really thought about it. I understand debt, I understand the world work's on it. But at the same time, in my personal life, I've always viewed it as something one has to get into to purchase some things but you want to get out of it as quickly as you can. What would be a good analogy? It's like something you need but that you have to run away from as quickly as possible. So, when you get a mortgage, pay the bi-monthly payments, pay the 15% per year, reduce it as quickly as possible. That's the theory. One of the phenomenon that's happening in my neighbourhood is that quite nice houses are being ripped down and these singles and doubles are being put up which are all selling for \$800k to \$1M. You see people buy them, it's normally people quite a bit younger than myself with kids and I'm thinking, how in God's name can you afford to carry a mortgage of \$400-500k? For me it's completely frightening. I think the biggest mortgage we ever had was a \$100k. At the time, I thought it was Sisyphus with the rock on my back. But I guess people do it, I don't know how, it's frightening to me...My nephew just bought a house in Toronto, \$700k, pretty cheap for Toronto. He's a lawyer, recently married and they've saved like crazy. But I still figure they have \$400k mortgage, God I would find that very difficult to deal with. Even with two incomes. One income must be completely for that debt. Which means if something happens, somebody gets sick, or you want to take your kids to Disney or a cottage, new car, all that stuff. It seems to me it does constrain you. You really are in that rat race. You hate your job, tough. Stick it out until you can get a better one...

My parents bought my uncle's house after the war in 1950. They bought it because housing was in short supply. My uncle had had the house built, and for him to start his business he had to sell that house and take the money to put it into his business. So that's what he did, he sold it to my mother and father. They lived there for 10 years and then they wanted to move out to the suburbs, so they did that. I remember him telling me that he had a \$6,000, 25 year fixed mortgage which meant that rate didn't re-adjust that he milked right to the end. At the time of course, that would have been quite scary, that they bought a \$18k house and had to take \$6k mortgage. My wife's father was an insurance agent in Toronto, he moved up to this house in North Toronto and it was a really impressive tudor style house, four bedrooms, two baths, for \$25,000. It's now worth \$2-3M, things have changed a lot. But these were ordinary working guys my parents were. Now of course, people can't afford this. The single worker family is pretty rare unless the single worker happens to be making a hell of a lot of money. (Curt)

Assuming that you can afford juggling work, family and housing commitments and find yourself in the enviable position of having additional cash, the call of dabbling in the stock market can be hard to resist. Yet here again the participants expressed wide-ranging views on the practicality, morality and security of engaging in the trading stocks.

I try to stay balanced with bonds and dividends and that kind of stuff. I really honestly don't understand how some of this stuff works. I'm not a highly educated person, I spend more time reading auto trader than financial magazines. I've gone to retirement seminars and RRSP seminars, but most of the time I think those things are of limited usefulness. I'm just lucky I guess that I've been able to put my money in these instruments and not lose too much. Though we did lose some money during the high tech meltdown in 2006 was it. And then another one came in 2008, so basically one of the things I went to one time, he said, you can get 10 percent return after 7 years or vice versa. Anyways, I'm still waiting after 30 some odd years to see my money double. (Sam)

Echoing this kind of sentiment, Curt wants even less to do with stocks despite believing that had he sufficient time and interest that he'd be well positioned to stay on top of it.

I have no RRSPs, no mutual funds. My wife does. But no, I refuse to. And this is the only thing that makes me a bit nervous, is that when we decide to sell the house, we're going to get a big chunk of money, some of which I hope to give to my daughter to buy something, but I don't know what the hell we're going to do it

because I don't trust anyone. I certainly don't trust financial advisors, they are just there to sell bank products. Where do you put your money? I have not a clue, no clue. More importantly, I don't want to. I'm intelligent enough to know that if I spent enough time watching the market and stuff like that that I could probably be okay. But I don't want to spend my time doing that, I have no interest in that. Zero interest. Who's up, who's down, I just don't give a shit. I'm an old communist you know. (Curt)

For the most part, prudence prevails as even the more financially astute participants saw the need to engage financial advisors in retirement, knowing that their willingness to follow the markets and invest their valuable time and money was not worth the risk. And given the recruitment of individuals primarily from Ottawa and its surrounding areas, it came as no surprise that the recent economic downturn and local stories surrounding Nortel were at the forefront. It reinforces a similar theme witnessed in earlier discussions surrounding employment insecurity as dictating approaches to managing debt and by extension life outcomes. Here again, external and largely uncontrollable events altered or at the very least reinforced individuals' predisposition to view the stock market as unparalleled opportunity or as unregulated criminal conspiracy. The only overlap in sentiment was a broad consensus that if you didn't know what you were dealing or no longer had the time to conduct due diligence that the best option was to rely on financial advisors, exit any high risk investments and/or find other revenue generating opportunities.

It did, but ironically, this is where Prime Minister Harper comes in, what he said at the time was that this is a downturn but that it's also an excellent buying opportunity. I was fortunate in that I was positioned to take advantage of the buying opportunities and I did so it worked out to our advantage in that respect. The other part of it was that we had pretty much decided where we wanted to retire in terms of having a winter place in the States, in Florida. The downturn in their real estate market coincided with the increase in the Canadian dollar, our dollar reach par and then beyond, so it was an excellent buying opportunity there to. And again, we took advantage of that. Looking back on it five, six years later, for us it was a good thing, not a bad thing. (Tim)

The aftermath of poor financial planning can be disastrous. Several interview participants knew of colleagues who were ‘putting in’ a few extra years past their retirement date to make up for significant recent financial losses. Many went against their advisor’s recommendations and made matters worse, some had poor advisors, some had no clue.

I think a lot of it comes down to a psychological issue. When the market crashed to the levels of 08-09, I’d be lying if I said I wasn’t concerned because a big chunk of my net worth disappear over the course of five-six months. But having said that, we hung in and didn’t sell anything. Goes back to the point that most people I think do need professional financial advice. Both in terms of people more up to speed with what’s going in markets than they are, not just stocks but also bond markets and keeping a balanced portfolio where you’re not 100% into stocks, or 100% into one stock. You have combination of highly liquid GIC, bond portfolio, stocks all balanced based on your age risk thresholds and comfort level. I can think of one couple we know that had virtually everything they had in Nortel stock. You know, that’s foolish. But during the times they were making lots of money they laughed at any sort of advice that they were at risk. And when the thing crashed they both ended up working five years longer than they had planned to and still aren’t as well off as they could have been. (Barry)

A final area where direct experience was achieved had to do with co-signing loans on behalf of dependents or familial relations. We saw earlier in the case of Curt that his car loan was backed by his father; however, the relative ease of accessing credit markets coupled with concerns over entering into this kind of relationship resulted in few examples of undergoing this process. Despite the lack of direct experience, co-signing loans was generally viewed as a last resort and responses were blunt. Paul provides some background as to why some of the trepidation associated with co-signing is warranted.

Yeah, that would be another reason that they’d have come in to my office. They would co-sign whatever type of loan. In some cases, the kids they had may have been sick and out of work with reduced income so the parents, now retired seniors, were using credit cards to cash advances to give to the child to help him or her through whatever medical issue they may have or to help them get through even if they weren’t sick. They could be unemployed, help them through unemployment

spot where their income was reduced due to lack of employment. So the retired senior would take cash advances on credit cards which would eventually come home to roost with the senior, or they would simply give them whatever cash they might have had. So yes, that happens and if they had guaranteed a loan for son or daughter at the bank that couldn't be paid then the bank would come a calling and ask the senior how they would like to pay this. (Paul)

This confirms the need to have a certain degree of confidence in the parties involved, yet even personal attachments could be trumped by financial realities and the emotional baggage that accompanies be part of the transaction.

It would depend on the age of the children. What their track record has been like to date, what their lifestyle is like. I think there are other options. The only situation I can envision where I might co-sign a loan would be for the purchase of a residence. If that's what I was being asked to do, I would probably be more inclined to suggest that I would be willing to help out on a rental arrangement until such time as the child was better positioned to buy something on their own. (Tim)

Likewise, Marc would be more willing to assist in other ways but bluntly shunned the prospect of co-signing loans despite his concern for the opportunities afforded to young people today where he recognizes that it's a difficult time for the youth to build up equity. Yet despite these views, co-signing is not an option. "I wouldn't be. I'd certainly go out of my way to help them, maybe coach them on how to manage their money but if it was something possible to do it that way, but to co-sign. No."

There was only one instance on record of co-signing loans yet it speaks to the complexity of the situation from an economic, social and emotional perspective as Sam stepped in to help his family on a few occasions.

Well, I did that for my sibling and her children. I've loaned money to various family members. I'm not really keen on it. I co-signed a loan for my nephew for example. He swore up and down that he would take care of it. I think he made two or three payments and defaulted on the loan. So his father who couldn't afford it had to take

over the item and had to pay the rest which was a shame. A lesson for the kid I suppose...

I think that he was very embarrassed. He had assured me that he would be able to handle the debt and didn't. This caused his father a lot of grief and heartache and put his father on a risky plane to take over that debt. I think the kids learned from that that if he was going to want things that he had better learn to buy them on his own. He's never ever asked again for that kind of favour...

After struggling for a number of years that kid went on to start his own business and he's a hard working kid whose business is flourishing. What he learned from his life experiences put him in a good position so that now when he's running a business he knows not to take on more debt than he can handle. When he had the opportunity a couple of years ago to expand his business but would have had to take on a fair amount of debt to do that, he chose to stay small because he felt he had better control and sufficient income to provide for his family, things that they needed and wanted...

No, it's not the financial risk at all. It's the emotional roller coaster ride. I don't want to go through that again. It caused a lot of hard feelings. It took something out of me. (Sam)

From a learning perspective, the direct experience of learning speaks to the challenges associated with entering into debt relations unprepared and how seemingly minor advantages can reap significant rewards. Minor advantages in terms of housing can provide a leg up for years to come as well as position the individual to be financial capable of assisting his family (should they choose to). The first two categories spoke to the 'why' aspects of learning in that the situations require an interaction with debt relations. The focus of the remaining two categories shift their gaze beyond these structured interactions with debt to bring into focus 'how' debt relations are mediated to discover the extent to which debt learnings can and should influence class discourse.

Category 3: Strengthening Family – Being the Example

Gaining direct experience certainly impacted approaches to retirement planning and uncertainties created by employment and financial markets had long-lasting impacts on individual's willingness to leverage debt. Based on the arguments presented by participants, there is reason to believe that the ease with which credit can be accessed today is a strikingly new phenomenon requiring individuals to fully assess and understand the distinctions between needs and wants. The beginnings of common approaches to debt, however, were not necessarily formed in response to market uncertainties and recent financial turmoil. Participants often felt the need to delve into the past to help clarify and justify points of view.

My parents came to Canada in 1952 from England. They did not have two cents between them. They arrived with their luggage and that was it...well, along with myself and one of my brothers. So, they worked hard to achieve what they managed to do. It took dad a long time. He worked at the Steel Company of Canada. A lot of night shift work that certainly took a toll on him health wise. From that sort of beginning in the country they felt that for their sons they just wanted to make sure that we didn't get ourselves into debt and save your pennies and that's certainly what we've done. (Marc)

Barry, in turn, highlighted the importance of straightforward rules. There was no definitive collective views regarding 'kids having it easy' these days, in fact, many responses expressed concerns for the younger generation's ability to afford housing and find decent paying jobs.

I'm going to preface this by saying that my parents were not wealthy people. We always had nice homes, rental initially, but I remember them buying their first home in their 40s, in Montreal. They did that because my grandmother, father's mother helped them out with a little bit of money that enabled them to do this. We were lower middle class I would say. We always had clothing and food on the table and things like that but both parents worked and every penny they earned went towards keeping the household going. I have to give my dad credit, from the time I was a kid he would always say, "pay yourself first". If I got \$5, he'd say to take 10% of it or something like that and stick it away someplace and keep building it. Always pay yourself first, don't spend everything, always keep something in reserve. That's the

essence of it, it was never anything more complex. My dad was a salesman, he wasn't a financial guy or whatever but I always remember that comment, even as a young kid, pay yourself first. (Barry)

Recounting childhood memories was possibly the most intriguing component of the individuals in that it became clear that approaches to managing debt was influenced by the learnings of parents, and not always in a positive way.

Well, only in the sense that my father had disappointed me. He had retired from the service and purchased a small variety gas bar / hotel and I worked for him for no wages for the summer. He was going to pay for my education, room and board and he didn't. So taking on the debt after having done that was disappointing. That's just the way it was. There was no alternative. You either took on the debt or opted not to go to school. (Sam)

Despite these vivid accounts, actual financial conversations were few and far between, leaving most participants free to fend for themselves and learn life's debt lessons directly.

No, no advice about debt, sex, anything. I'm a good catholic boy. We never discuss anything. (Curt)

I don't think there was any taboo to it. I think they just didn't think about it. They were both working hard, pay their bills and kids get older. They move out and away they go. It just wasn't thought of. (Paul)

Whereas conversations on financial responsibility may have been lacking in many instances, strong examples set by parents were readily divulged.

Everything cash. Same with my wife's parents. That just comes from old school. My grandparents on both sides were farmers of some description and that's what their parents did. Back then there was far less credit and wouldn't have been any credit cards back then. If they didn't have the money, they didn't get it. They just moved on, worked and saved. Now they might have gotten a bank loan for a car or mortgage or something but certainly credit wasn't as big deal as it is today. (Paul)

Shedding light as to why financial conversations are more prevalent in today's context, Sam notes how society has evolved to provide the space for these interactions to occur. Perhaps the

financial lessons that need to be learned in modern society were so painfully apparent in the past as to be deemed obvious to the point of not needing any further clarification.

I think that, first of all, our society has changed considerably over the last several years. I think back to my parents' parents, they didn't have a pot to pee in and they came out of the depression. My parents had to work to provide for their family as well to purchase things they wanted for themselves. My parents got married young, I don't think they got a lot of direction from their parents. They just managed to find their way and gave the best advice they were able to give at the time. Whereas I think my generation had a bit more chance to be reflecting on things. We had the luxury of having better circumstances, better education, access to more information. We're able to prioritize some things I think. I've had the advantage of seeing my sister for example. She chose to go a certain direction where she's now three years older than I am and she's got nothing, no pot to pee in. I think that certainly for me that was a bit of a motivator to look at how I got and handled money. I've always tried to have that balance and tried to impart that to my children that balance is important. You don't want to get indebted to the point of being stressed and frustrated and you don't want to be sitting on a mountain of cash either because what's the point really. (Sam)

Whereas memories of parents providing them direct advice on financial matters was scarce, there was an abundance of rules, practices and counsel offered for participants' own children. Methods differed and lessons learned were unique, however, independence and freedom of choice were shared themes throughout. Take for example Barry's recollection of having provided advice to his children.

Yeah, I think I did. My economist son posted on his blog once that he remembered his dad having a t-sheet on the fridge. Not sure what your credit background is but the old t-sheet is the old debit, credit, asset type thing. So it just evolved. When the kids were young, like everyone else, they have an allowance but this back and forth of here's \$10 now you owe me \$3 because you borrowed that last week, so for simplicity we had a sheet on the fridge for each of the kids and rather than cash changing hands it was all done on the t-sheet and every once and a while they wanted to go out and buy something well dad, I'm \$50 good on the t-sheet, I want to go out and buy this for \$30 well here's the \$30 and I take it off the t-sheet. Always encouraging them to save, we always opened up bank accounts for them, so it wasn't, I wasn't doing it in a conscience sense like I want to teach them finance it

just sort of evolved from the way we ran our household. I think we provided leadership and a good example in how we spent our money. (Barry)

Providing good examples and basic rules appeared to be the cornerstones of financial planning with Tim discussing a 50/50 rule where half of his son's paper route money went to savings and Marc relying on setting a firm example by saving for large purchases, 'biting the bullet', as opposed to relying on debt.

Learning is part of growing up. In much the same way as a banker fosters relationships with newly formed companies, bank and credit card companies are trying to pick future winners and push their products on them from an early age. Navigating student loans and learning the importance of paying off credit card debt on a monthly basis are all methods of gaining financial independence and financial acumen. Never has the distinction between book smart and Wall Street smarts been so pivotal to future earnings and ultimately financial stability.

I even think back to when my sons in university getting promotional materials from Visa or MasterCard offering them a credit card when they're still students with really no income of their own. But because they are in university with future earnings power they take the risk and start them off with a small credit limit hoping to get their loyalty later on in life when they're relatively more wealthy. (Barry)

If you don't have any financial training and don't know the value of a dollar to repay a loan etc. then having easy credit can lead to disaster. If you don't know, if you're a kid, frosh week now at universities, the credit card companies set up and they are giving out credit cards and condoms and whatever so kids are signing up for cards. They have no idea what the impact of buying pizzas on your credit card is going to be if you don't pay it back on time. (Sam)

Surprisingly, views on creditors was mixed from those who felt with many comments focusing on credit card offerings to their children as borderline preying on the masses and unethical, however, the ultimate responsibility still largely remained with the debtors themselves. When

asked to leverage his years in the insolvency business, Paul had the following views on the business practices of lenders.

Depending on the creditor I guess. I'm not sure they think about it very much. They have a product to sell and they're in the business and they sell credit. So if you're walking through the turn styles at Home Depot, Sears, whatever, or the airport and Aeroplan is promoting their card with the points, they're there to get you hooked and signed up to make money on the interest. I don't think they think about if they should be targeting certain types of people. They sell to anyone who is willing to buy their product. So I don't think they think about it. They plan for defaults and they live with the fallout. I don't think there's a lot of ethics in lending personally. (Paul)

So what role is to be played by parents in this transition period? There is no one answer to capture the varying strategies deployed by parents to prepare their children for dealing with financial issues. In much the same way that participants leveraged the experience of their own parents who lived through more trying and less secure times, to having known what it's like to be downsized, the interviews expressed the desire to assist children in starting their adult lives in a favourable position, however, in many cases, for the lessons to be meaningful it had to hurt a bit.

I remember my first credit card, I remember my kids getting their first credit cards. I would drill into my kids that it was absolutely imperative that they pay off their credit card when it became due. If for whatever reason they did not I would come down on them very hard. (John)

Sam knew first-hand the impacts of not being supported financially for university and wanted to ensure that his kids could start their lives with a clean slate bearing none of the financial burden associated with student loans. This contrasts with John approach that, while capable of supporting university for his children, insisted on their obtaining jobs and fully funding their own studies. In this sense, the 'obligation' that parents feel towards their children to help impart learning strategies may differ in their outcome, are ultimately joined by the expectation that the actions taken are for the future benefit of the individual and their ability to effectively manage

future debt relations. Barry held a similar view of the responsibility that could be instilled by taking on gainful employment and bridged the philosophies of Sam and John by requiring his children to contribute to the costs of university.

I don't view it as an obligation for one. I think the obligation is to prepare your kids as best you can and provide guidance and a good example and some leadership as to how you run your own financial fiscal life. In our case, we're better off than most, the commitment we made to our kids was that you will graduate university debt-free, but while you're going to university, in the summers you will work. I don't care if you're a bus boy at a restaurant or tossing pizza at a Pizza Hut or working at KFC as each of the boys did, you'll earn what you can in the summer months and you'll contribute that to your education, or to the annual costs. Once you get your driving license you're going to pay the annual cost of the incremental insurance because driving is a privilege, not a right, and that would all be handled through the t-sheet and other things. As long as you do that and contribute what you can, when you graduate university you'll be debt-free. If you want to go beyond that, that'll be on your own nickel. If we need to help out through loan guarantees or whatever we do that, in one case, our son in New York, did a master's at Harvard and a PhD at Berkeley...

I don't think most people who would call themselves middle class would be able to do that, they'd like to do it. I think everybody would like to leave something to their kids when they go. Our view was that we'd rather see them enjoy some of the stuff, I mean we still want to leave them stuff when we go, but in the meantime as long as we're able, I'd rather give them some help that we can see them enjoy and see them prosper and get some enjoyment out of that in our lifetime. But we're, don't take this the wrong way, but I wouldn't call myself, we're not middle class, we're better off than that. (Barry)

The unwillingness to learn through the act of co-signing may also result from the strong views expressed with regards to a child's obligation toward their parents. There was not a single instance whereby the retirees expected any financial support from their children regardless of the situation provided that they were still mentally and physically able to get a job, any job.

I feel that I'm responsible for my own self. If I need money that's the trigger for me to get out and work if I can. My thought there is that there's always something that I can do even if that's going to Walmart and being a greeter, or going to McDonalds,

Home Hardware, something like that, there are ways of picking up money. I wouldn't expect my children to support me financially and I would do everything in my power not to fall into that situation. (John)

As noted by Curt, it is becoming the norm now to interact with older employees where you'd least expect them.

It's amazing! On the weekends you get kids, but during the week it's old farts. And I mean old farts. The bag boys are all like ancient. We had a bag lady this year, she must have been 4'6" and weighed 85 pounds at most and she must have been ninety saying, "Can I carry your groceries out for you?" It just makes you laugh, but that's what they do. In the States a lot of people got screwed by the stock market issue and their 401ks which I guess are our RRSPs, a lot a lot of people. (Curt)

Ironically, the location most often associated with retirement homes and 'snowbirds' also showed the ability, rightly or wrongly, of the older generation to hold down a job. But why is there this need to work well into retirement years? Was it poor planning? The debt trap or simply bad timing? Who are we to judge? Regardless of the situation, Paul provides a telling illustration from his many years of experience as a trustee that outlines how it feels to be over-indebted.

When I think about debt my clients had, they might have thought about like a means to survive. I like the water reference. I often said to my clients, listen, if you don't do something with this debt load here's what's going to happen. Visualize yourself in a room and someone is pouring water into the room. Sooner or later your heads going to bump into the ceiling and you're going to drown. And that's exactly what happens when you get too much debt. (Paul)

Category 4: Identity Formation – Judgment and Personal Change

Giving your kids a leg up was tied in part to financial assistance, however, there was a strong sentiment that setting the right example and ensuring children were well prepared to make the 'right' decision were as equally important. All participants placed great emphasis on

decision-making as playing a key role in determining financial outcomes but elements of ‘luck’ were also front and center. This section explores how learnings processes are used to reflect our surroundings and construct internal knowledge. This strategy of learning from a distance, judging from a distance and incorporating these judgments into a personal approach to negating risks has a profound impact on identify formation. When asked to reflect on individuals experiencing debt problems, sentiments differ and judgments abound.

Well, I’m a Christian. There but for the grace of God go I. So, I feel sorry for them. What else can you say? Poor sons of bitches got themselves caught in that grind for whatever reason. I’m a very, believe it or not, forgiving person. What can you say? It’s terrible, I feel sorry for them that they put themselves in that vice and grip. Especially, when you’re old and your ability to make money is quite limited...to even deal with it. (Curt)

Without knowing the individual I would say that I feel sorry for them. Sorry for them because when I was in my young adulthood I was always afraid that something would happen so I would lose my job. With the burden of debt it is so easy to fall into bankruptcy. I could sort of relate to having a little bit of bad luck. In many cases, through no fault of your own, having to declare bankruptcy. Having said that, my second thought would be, have the brought in on themselves. But my first reaction would be in today’s economy that it wasn’t brought upon themselves and they are just a victim of circumstances. (John)

Generational divide begins to creep to the surface as sympathy is extended to those who are struggling, but only up to a certain point and zero sympathy is reserved for people who put themselves in a precarious financial position. What is referred to as a ‘pervasive’ consumer attitude that runs through society and this ‘new generation’ that spends and spends is not grounded in anything other than interpretations of meaning and selective judgments. In fact, many of the participants provide concrete examples of contemporaries who cannot refuse the latest technology and harbour no shame in living beyond their means, showing that direct

experience clearly shows that the negative repercussions of being on the wrong side of debt relations are not by any means the burden of only one generation.

(long pause)...Sometimes I couldn't even understand it. These people are professional but they had a different philosophy on life. I want now, everything. I will pay for it tomorrow. At the same time, these people had significant cash flow. But even having said that, they drove themselves into debt. I'm talking professional people here. I would go out to dinner with these individuals and they would pull out a credit card and it would be refused, and they'd pull out another, and a third one, and then it would be accepted. I just shook my head...They were totally fine. The first time it happened we had a conversation where I'd ask them what's going on. These individuals had post-graduate degrees. One was a lawyer, one a professional accountant, and they said we've been in school so long that we feel now is the time to be living the good life and we want it now rather than saving for it and waiting for five years. So they were mortgaging themselves to the hilt to have everything now as opposed to saving for it. It was a totally different mindset, I couldn't understand it. (John)

Despite the aforementioned example provided by John he also concludes that poor planning and decision making are contributing to the challenges facing the younger generation. It should be noted here that the question used to provoke these responses did not specify 'young' versus 'old' and instead asked participants for their views on people who were experiencing financial difficulties.

I would say it's a lack of planning as younger people today, and I'm stereotyping here, spend everything they get. One of the opinions I have, in a lot of cases people of my generation have been very successful, and lucky as well. We gave a lot to our children and in some situations the children expect that they will be able to maintain that lifestyle without having to work for that lifestyle. They feel it's expected and in those situations they tend to spend to maintain a lifestyle they became accustomed to as children that they really can't afford. (John)

Indebtedness, rightly or wrongly, carries with it social judgements. The 'othering' process, also serves to reinforce and affirm personal approaches to debt. And contrary to preconceptions, the consumer driven mentality is not solely the trappings of the younger and

inexperienced generation. The desire for the latest technology and to succumb to spur of the moment purchases was also recognized as being directly relevant to retirees and those approaching retirement age. Regardless of age, you're your own worst enemy.

I know some of my colleagues in the same age bracket as I am who still at this point in their lives are living pretty close to paycheck to paycheck. It's not because they don't make a good amount of money it's that they spend every cent that they can get their hands on. They are very consumer driven a lot of the people that I grew up with. (Sam)

No, I never did question my philosophy. I certainly did question the philosophy of many people around me who I could see getting themselves deeper and deeper into debt. A lot of times it was maybe impulsive on their part, they wanted that trip, wanted something and didn't want to wait. Wanted it now. My philosophy was that I can wait, make do with what I've got. (Marc)

Once again, however, there is no clear definition of the 'type', for lack of better word, of people who get caught in debts vice so it remains unclear as to how this conception of the impulsive other is formed and maintained. When asked to think back over the course of his 30 years as a trustee Paul was able to put things into perspective and his response depicts why it may be so difficult to fully frame and define a consistent representation of the indebted.

When I look at my practice over the 30 years, you can not name any profession or type of work that I didn't have come through my door. I've had them all...Yes, I've had doctors, health professionals, teachers, Members of Parliament, RCMP, city police, engineers, garbage truck drivers, I've had them all. You can't name anyone I didn't deal with. This whole debt thing is not related to someone who didn't have reading skills and left school in grade 4. There was some pretty high profile people who came through that initially you'd think how in the name of God could you get into this? I mean you're a Member of Parliament, all kinds of income, what went on here? Or well-paid other professionals, lawyers, doctors, accountants, so no one was immune to this. It was the same old story; some people just spent way beyond their means, spent on their wants instead of their needs. Or even for people with good jobs and well educated they can run into unforeseen circumstances just like you or I. (Paul)

The hidden nature of debt and its ability to cloud actual financial positions may contribute to the over-simplification of the ‘other’.

I remember back in the 70s, my neighbour across the street was an Italian immigrant to Canada and one of the things he said that stuck with me all these years. He said, in Italy, you can tell a person’s position in life by looking at them, in Canada, you have no idea. The person you think is really rich, doesn’t own anything. That’s the point he was trying to make. People lived within their station in life. I know that sounds really awful but they stuck to the means they were able to afford. (Tim)

Another method of identifying the financial burden placed on society would be to determine the health impacts of debt. The self-worth of interviewees clearly identified that the use of strategic debt could carry on into retirement, however, nobody had the intention of leaving debt behind. Pride contributed to this sentiment, but the prospects of carrying the burden of debt indefinitely was also based on the associated health impacts.

I certainly would not want to be on that treadmill. I don’t think I’d be able to sleep at night if I was on that treadmill. It would affect my well-being. My health would go downhill...Oh, it’s huge, huge. I mean the two people that I know; I mean it’s caused them to go to the doctor. They basically need medication to calm themselves; their anxiety is really really high. (Marc)

Other accounts spoke to people who had lost their assets and consequently their standing in society as a result of losing their jobs and no longer being in a position to meet their obligations. Paul recounts stories from his trustee days of clients who were severely stressed and being harassed by collection agencies that operated at the limits of the law, threatening legal action and wage garnishing. There is no accounting for the toll this can have on the body but we know it’s there, as John describes former colleagues who ran into difficulties. “These are people who were confident and outgoing and they turned into introverts and basically lost all self-confidence and never recovered.”

Discussion

Matters of credit, interest and debt are proxies for income redistribution that go to the very heart of class analysis. While the semblance of life-style and independence appear on the surface to be equally accessible to all, the situational class experience informed by prolonged debt dependence works in the shadows to confront this illusion of opportunity. In this regard, debt becomes a means of telling time, a form of class memory that considers both differences in employment outcomes and market interiors over the duration of the employment relation and beyond into retirement. The postponement of coming to terms with class reality cannot be extended indefinitely, a fact that is becoming widely apparent to a growing number of Canadians who are at or approaching retirement and finding that the tenuous balance between credit and debt carries with it inescapable obligations.

Finding collective truths and deploying the phenomenographical method to analyze the transcripts was required in the first instance to suspend and challenge the researcher's own beliefs that had formed through years of exposure to the phenomenon. In addition to this, the method is required to overcome contradictions of meaning. Learning strategies deployed by the retirees varied in their specifics, but were largely consistent when viewed from the lens of phenomenography in that the acquisition of financial knowledge was directly influenced by the needs to prepare for retirement and ensure a standard of living that encompassed maximizing mental and physical health to the greatest extent possible throughout the active phase of retirement. Financial awareness sessions provided by employers were identified as a useful and necessary component of retirement planning and the lessons learned through direct engagement assumed important roles in establishing approaches to interacting to debt.

Working in the background throughout this process of knowledge acquisition was the intense need to pass along financial knowledge while avoiding the many pitfalls of debt dependency. Debt mitigation strategies largely involved abstaining from non-productive debt assumption. Learning was not limited however, to planning and gaining experience with debt instruments. The value of examples being set by previous generations, the impact of ‘stories’ that served as permanent reminders of the struggles associated with debt dependency and influenced participant’s approach to passing along knowledge to their children and shaped approaches to financial agency. Family lines were also clearly drawn with aspects of creditor-debtor relations in the form of co-signing loans actively avoided though direct kin were recipients of either direct financial aid or regimented learning plans that reinforced proper debt practices. The resulting mental and physical degradation linked to over indebtedness, primarily relayed through stories and examples were also top of mind issues. Sympathies for those who struggle and the precariousness of getting by versus getting in trouble were acknowledged as being both a result of market volatility and personal choice.⁶⁴

In interviews that captured professions and experience where baseline financial knowledge would be expected, the discussions were heavily geared towards self-examination and accountability for any prevailing problems linked to debt. Future validation of these findings could include identifying retirees who were not in the enviable position of holding steady employment throughout their adulthood in order to compare categories of meaning and learning strategies. In this case, given the exploratory nature of using phenomenography to mine

⁶⁴ Structural accounts of over indebtedness ‘focus on the system of easy credit and on insecurities in personal finances not fully covered by the social safety net’ while cultural accounts “range from the highly judgmental, blaming consumer irresponsibility and even dishonesty, to the more sympathetic and psychologically nuanced, stressing consumer vulnerability due to lack of knowledge and differences in mood, attitudes and behaviour” (Braucher, 2005: 324).

for class-based approaches to debt, the reliance on a relatively small interview sample was warranted. The emerging categories of meaning and the corresponding findings would benefit from expansion to a much larger data pool that bridges various employment types and ensures gender distinctions can be analyzed. What emerged from the interviews, however, is nonetheless of critical importance to understanding where the Canadian NMC situates itself between the elite and the poor. The strategies deployed by the participants echo broader literature on the NMC in that there was no one discernible universally acclaimed method of extracting oneself from debt relations, similar to heterogeneous claims often associated to the NMC. Induction into debt was also shown to be unescapable although the ramifications of so doing were not consistent across the board. As opposed to viewing class position in relation to degree of indebtedness, both from a monetary and time perspective, perhaps the lens through which to ascertain the condition of the NMC is precisely through these divergent strategies, why and when they are deployed and to subsequently measure their success.

Unlike the microcredit case study, the interviews conveyed a far greater sense of agency in that the participants were presented with several options throughout their respective exposure and indoctrination within debt relations. Methods of surveillance and regulation still operated through the family unit as evidenced by the transfer of financial knowledge to younger generations and a general unease with providing collateral or co-signing loans. This resulted in vastly different approaches to gathering and retaining wealth, including the transfer of this acquired knowledge to future generations. Whereas some participants opted to engage with debt to generate future wealth being, others were reticent to have anything to do with sighting levels of distrust with market based solutions and insufficient levels of financial awareness to alleviate

the perceived risks. Future research along these lines should consider closer examination of the strategies deployed to acquire financial awareness and mitigate risks associated with debt relations. Class relations may be concealed here, in the strategies used to exact a measure of control over market fluctuations both within and beyond employment relations.

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Chapter 6: The Sociology of Debt

Through this process, the expectation is that this thesis successfully captured and articulated Acker's (2006) 'curiously vulnerable' idea of class in a new and plain language, the language of debt. Too often the saliency of debt is concealed by an inability to escape moral questions that are restricted to pontificating on an individuals' inability to focus on needs and limit consumption practices. Focusing on 'flawed-consumers' detracts from evolving the study of the sociology of debt, as apart from the debt itself that is being consumed, consumption is only one of many factors warranting consideration. Though the interpretations of what it means to be indebted differ and constantly evolve, class analysis can be informed by integrating the rituals and norms associated with induction into debt relations within its scope to reveal attributes of class. In this regard, the importance of class formation cannot be separated from how the rules of the game are learned, embodied and consequently put into practice as evidenced by differing approaches to deploying risk mitigation strategies to avoid the pitfalls of debt dependency. What has emerged are the intricate links between labour and debt in the form of the intensification of work that is best viewed as a by-product of the assembly line mentality and the Fordist desire to fully possess the worker. This implies removing the temporal and spatial restrictions of the production process with new oversight mechanisms that extend beyond the workplace. Through explicitly linking the concept of debt to that of class, the working definition of class goes beyond the economic reliance on income and property holdings to understand the social trade-offs that accompany decisions to enter into debt relations, particularly when supplemented by an analysis capable of capturing the nuances between debt assumed by choice versus out of necessity. The dual function played in particular by the NMC bears witness to the

complex social tradeoffs associated with debt and the technical requirements that are explicitly located with economic relations of production.

In much the same way as machinists possessed ‘secret knowledge’ to keep the production line in operation and bridged the gap between workers and management, a financially aware middle class and the strategies deployed to mitigate adverse risks can insulate the NMC from undesirable market outcomes. This is evidenced throughout the interviews where first-hand knowledge acquired through employment relations brought strong advantages in dealing not only with debt, but also in financial organization itself and an acceptance of the risks without an acceptance of irrational fears. This financial-ethic, particularly when transferred between generations, has the potential to break the bonds of financial regulation and prescribed life-paths. However, debt has been shown to be exceedingly capable of containing conflict, and in so doing, delegitimizing class analysis.

Mitigating class conflict through debt

We have seen how the debt relations confer certain inherent conditions on recipients. The transferring of supervision and enforcement away from lenders and towards the masses was evidenced in microcredit practices as well as in Canadian society. Within the semi-structured interviews the majority of parents were actively involved in regulating their children’s interactions with debt to promote future opportunities. For some this regulation manifested itself in providing a leg up while for others the opposite course of action was preferred whereby funds were purposely withheld to provide other learnings. Regardless of the method, the desired outcome was to properly equip the next generation to successfully identify and navigate the potential pitfalls of debt. The tendencies operate independently though not necessarily in

contradiction of status symbols such as income, accreditation and education. The issue of containment, however, is more complex. Debt, viewed as a bridging mechanism between and within class interests, provides both the contested arena for the realization of class conflict as well as the intra-class awareness of mutual destitution should the prevailing debt-society be challenged. While debt can play an important limiting factor in the decision-making capacity of individuals, the promise of tomorrow and risk-reward considerations can serve to improve life outcomes regardless of whether the benefits are attainable through hard work or simply good fortune. As shown both through the bankruptcy statistics and the personal experience of a retired trustee, a great number of debtors were simply caught off-guard resulting from unexpected health issues or job loss. The intangible factor driving the recognition of class boundaries may be found through the individuals' ability to 'dwell in disorder and flourish'. Several interviews highlighted the opportunities created by the economic downturn where certain respondents were able and willing to play the long game and divert additional funds toward the stock market to reap future benefits. This ability to accept short term risks and stomach paper losses was a strategy that could not be deployed across the board, but this is precisely what is required to flourish. Differences in learning approaches also appear to weigh in on approaches to managing debt. Individuals who experienced financial uncertainty through the possibility of losing their employment or having witnessed close relations struggle to make ends meet held strict views on the importance of separating wants and needs. For those incapable of riding out the storm, housing costs were often at the forefront.

The trends in housing pricing increases coupled with stagnant wages illustrate an intriguing contradiction in purchasing power and forced indebtedness that relies on an implicit

generational accord to maintain equilibrium. Take for example the prevalence of home ownership and the corresponding increase of housing values by 87 percent year over year resulting from implementation of the ‘Five-Dollar Day’ in 1914 (Knopf, 2005: 198). But these changes were driven by tangible wages flowing into the area, in the case of modern day housing prices where is the actual money? Did the promise of future wages and the ongoing dominance of automobiles also factor into the housing market and warrant the extension of lengthy repayment terms? In much the same way as the increased wages came at a social cost and oversight mechanisms that extended beyond working hours, expressions of class such as housing and employment relations need to be questioned in light of the intensification of work invoked by induction into debt relations. Efforts to contain the poor have moved beyond the ‘wretchedness’ of work conditions to not only dispossess workers of their animal spirit but to also promote the fictional ethos of the lean worker. Take the example provided in the interviews of having an incentive package that provided better than market interest rates for housing. This relatively minor advantage resulted in significant ongoing benefits that ultimately resulted in positioning the recipient to provide similar advantages to their children, and the cycle will likely perpetuate itself. The broader impact of debt relations is to bring a civilizing component to market uncertainties by making obligations measurable, repeatable, and by extension containable.

Predatory inclusion and the intensification of work

Recruitment in general, particularly so for the disadvantaged, is greatly influenced by the widely visible symbols of non-participation such as starvation, disease and homelessness which promotes an ethos of dependent participation. Through access to credit, unemployment patterns

can be weathered for a time, and desires can be satisfied without the earned and legitimate possession of purchasing power. To ensure the ongoing availability of credit, the poor are not only needed, they are necessary. From microcredit to mortgages, the poor can be recorded as future assets illustrating debt's capacity to bandage the wounds of flawed consumers. The disciplinary power of debt requires providers of capital (elites) and debtors alike to shift their gaze sideways and ensure access to credit is coupled with the semblance of future opportunity and equality for (credit) card-carrying members of the current regime. Repercussions of non-conformity create the space for class conflict to occur intra-class where the capacity to inflict injury has never been greater. In this regard, debt-biased class relations are akin to individualization theory, in that it represents a reality of pending crisis bound by development of 'unique' self-identities constructed through a set of limiting options and the assumption of unsolicited obligation. Individual risk-biographies, however, do not eliminate the formation of collective unit of meaning as the common approach to imposed and limited life-courses and the ever-present shadow of debt-servitude drives the urgent need for claims of uniqueness and self-identity.⁶⁵

The interview strategy used to supplement the secondary research successfully charted new territory. In exposing the way that debt lessons are acquired and transmitted through personal actions and unique stories, collective meaning was uncovered within the interviews and this approach also successfully divorced the researcher from analytical baggage acquired preceding the interviews. Findings of this thesis raise intriguing avenues for future study, particularly with regards to the effects of debt on the body and mobility. Mobility, in the sense

⁶⁵ See Bottero (2004: 989): "People do not have to explicitly recognize class issues, or identify with discrete class groupings, for class processes to operate. All that is required is for specific cultural practices to be bound up with the reproduction of hierarchy."

of physical displacement, crept its way into the research a number of times whether it be through the historical treatments of debtors facing exile and being cut off by the Medici to modern day accounts expressed in the interviews of being stuck in an employment relation in order to pay off mortgages. Mental and physical health issues were present in debtor's prisons centuries ago and again reinforced by the debilitating effects dried up income can have on an individual's well-being when they find themselves incapable of indemnifying outstanding debt obligations. This research has illustrated the importance of distinguishing between being able to recognize as well as react to opportunity. Herein lay the perils of debt and the restrictions placed on agency and mobility that define class boundaries. The wealth being pursued by the NMC will be measured in freedom not to act, to have the wherewithal to weather the storm. As evidenced in the interviews, for some, this meant exiting stocks, for others, riding it out. Still others chose not to partake at all. These contradictory approaches may have less to do with the heterogeneity of the NMC as opposed to shifting perceptions of 'wealth'. Only then can we discuss if the NMC are the aspiring rich or the perspiring poor. New formulations of wealth will not rely solely on economic measures but also on the ability to maintain control over labour income. Ownership of income will represent the new spirit of capitalism, new elites will emerge.

If we are to accept the premise of an 'individualized' society consisting of navigating race after race and constant challenges then the results will vary between god-like human specimens to broken down individuals struggling to stay afloat. The overlapping of mental and physical demands that is not created by, but intensified by, debt depicts the boundless reach and mutability of the labour relation. Of great concern in this debate is how this intensification stifles innovation and diversity of employment opportunities as evidenced by the case study of microcredit. The group oversight mechanisms that form part of microcredit lending practices

have been shown to drive labour initiatives toward low-risk and low (yet predictable) returns. To what extent then do these same principles apply in Canada? Does the sphere of control over risk biographies result in risk aversion tendencies that inhibit the enterprising nature of capitalism and quell the workers' animal spirit? Living with debt, however, does not by default constitute an attack on the middle class nor are debt constraints insurmountable. The microcredit case study as well as findings from the interviews suggests, however, that debt relations can be greatly influenced by subtle changes whether in the form of extending payment terms, providing a leg up on interest rates or generating greater financial awareness.

This thesis advocates for the inclusion of debt-biased class relations to renew the primacy of class analysis as a means of predicting class actions and social change. On the question of structure versus action, viewing class through the lens of debt may at first appear to align with a Weberian conceptualization as to the importance of human agency. The interviews of retirees showcased the ability of actors to take individualized approaches to managing debt relations, however, we cannot forget the targeted nature of these interviews. Notwithstanding the selection of the participants, the true role of human agency needs to be thoroughly questioned given the limited knowledge of debt and an inability to influence market outcomes. Not to say that conscious agency has no bearing on outcomes, however debt relations embody the debtor with such an array of constraints that it is difficult to argue that class positions are not reproduced as a result of indebtedness and that the behaviour of recipients is not in turn conditioned by debt obligations. This has been shown to be the case for debtors, particularly those subjected to increased levels of discipline such as the case of microcredit and individuals assuming usurious financial agreements via payday lenders. Social action is clearly limited by the ability to choose

when, how often, and under what conditions debt relations are entered into. The extent to which these strategies converge will determine the plurality of class positions of relevance to class analysis.

A second area of distinction deals with the relative importance of class and class struggle as a determinant of social change. One of the arguments presented throughout this thesis is that debt, as a basis of collective action, operates in the shadows such that any class associations directly attributable to debt relations would be masked until such time as prevailing market conditions reveal common class positions rendering debt-biased class relations as a multidimensional view of class that associates class as one of many bases of association that may or may not, organize societies and influence societal change. As an organizing principle, however, historical evidence suggests that debt served as an accounting tool and given the structured interactions with debt that many face in developed countries at largely prescriptive times (education, housing) coupled with the dependence and access to credit markets for entrepreneurs, debt relations become pivotal to social change and may in fact displace production relations as the basis of class. Were debt-biased class relations to assume a more prominent voice in class analysis, its form of oppression between exploitative relations versus domination requires further clarification, particularly as this is a central concern of attempts to delineate and construct the NMC. The divide between Marx and Weber on this fundamental topic is viewed as the distinction between labour appropriations on the one hand, pitted against the broader mechanisms that promote authority and control.

The exploitation/domination divide presents a unique challenge to debt relations. We have outlined how control of credit can create and reinforce other forms of inequality that instead of

creating a class consciousness, serves to undermine collective action and solidarity through othering processes. Furthermore, Carchedian distinctions regarding the function of the worker or Wright's lens regarding control over investment capital, control over the physical means of production and control of labour are in fact displaced by debt-biased class relations as being fictitious in the sense that relations amongst classes cannot be determined as long as the veil of debt conceals true class positions, meaning that a manager or even owner can be in a far worse class position than subordinates. The realization of this, however, may be differed temporarily or indefinitely depending on future market outcomes. Debt-biased class relations also argue that wage relations represent only a portion of the workload resulting from the intensification of work and increased levels of supervision, therefore, more discernible debt impacts may be more adequately captured across areas such as mental or physical health deterioration. The appropriation of labour resulting from debt relations may also reside in the susceptibility of future generations and their induction within debt-biased class relations resulting from the failure of parents to extricate themselves more fully from debt's vice. Domination is difficult to justify given the dual nature of debt relations that while binding, can provide the necessary financial means to realize previously untapped potential. Domination would only be fully applicable to debt relations in instances of direct lending from positions of power that are uncoupled from legal oversight. For this reason, the preferred lens through which to view debt relations is one of exploitative relations as credit is used to ensure capacity to continue to take part, and ultimately, pay, in society coupled with the evidence that suggests minor changes to existing legislations and lending practices could provide significant relief. That being the case, debt relations as a construct clearly blurs any relevant distinctions between exploitation and domination as good credit cannot be granted in the absence of appropriate conduct.

A final area of distinction contrasts production against market relations. On the surface it can be argued that access to credit expands the breadth of the arena in which individuals and groups can compete for market rewards through social action and it “is by no means necessary for the advantages in question to be economic” (Weber, 1947: 180). Here, however, the question as to original sin becomes paramount. Did property relations precede the market? From a debt relations vantage, does that distinction even matter? The longstanding history of debt as captured throughout this thesis intends to shift the focus toward incorporating the study of debt to both relations of production that underlie the market as well as those that underpin property relations for there is an argument to be made that debt preceded, influenced (particularly where extended credit allows for the acquisition of expanded control over assets or organizational assets) and measured both. Debt-biased class relations, therefore bridge the divide between structuralist and constructivist approaches in its attempt to understand and conceptualize class. This is primarily a result of class operating in the shadows of debt servitude, a mechanism that can adopt various forms as well as align itself with other divergent processes that promote and reproduce both inequality and opportunity where social action is deployed to prevent the continued erosion of class, the visible signs of which are masked by debt.

Discussion/Analysis

In exploring the links between debt and class this thesis has uncovered the potential for something far more significant. The shift from exclusionary class outcomes towards active efforts to recruit members from all walks of life into debt relations does not diminish the importance of the employment relation and conflict between workers and management. Instead, it enhances its significance by showing the intensification of work resulting from being subjected

to oversight mechanisms linked to accessing debt and being obligated both during and beyond the traditional work day. The extension and intensification of work requires debtors to acquire financial knowledge largely through personal experience and through the creation, acceptance and aversion to the Indebted Other, where sympathies and discipline overlap to influence the messaging and transmission of intergenerational wealth.

In revisiting the research puzzle, the contributions that will result from further developing the sociology of debt can now be broadly outlined. The sociology of debt argues for a new approach to class analysis that places greater emphasis on individualized responses to collective concerns to determine potential class-based patterns of action. Its foundational pillars are containment and inclusion, and the strategies deployed to manage debt obligations are the realization of evolving conceptions of wealth that provide direction to class struggle. We know the financial risks associated with a run on a bank where the bank does not possess sufficiently liquidity to honour all of its outstanding commitments. What would a run on the middle class resemble? Are the attributes and skills possessed by its members sufficient to honour the extension of credit at its disposal? Class conflict will arise not from imbalances between owner and worker, but through the spontaneous accumulation of class interests that will arise when coalescing methods of mitigating risks are rendered irrelevant as a result of widespread financial upheaval. At stake here is the promise of class and projected futures with class not determined by income or occupation, but by the ability to extricate oneself from debt dependency and benefit from debt relations using similar strategies and obtaining similar rewards as the elite. It is through these strategies and their collective response to debt burdens that may provide the space to then outline defining parameters of the NMC taking into account both the technical and social

relations within which the strategies were developed and deployed. Given the similar tendencies exhibited between work transformation and the regulation of debtors, the argument brought forward is that the greater the overlap between mechanisms deployed within employment and social relations to negate deviant behaviours, the latter being contained by debt-biased class relations, the greater the potential for class transformation in the event of a widespread inability to satisfy obligations despite having displaced the desired financial ethic. While the sociology of debt focuses on processes to reveal new tendencies, the basis of class analysis lies in measuring the outcome, or the *shadow class* households would occupy in the absence of readily available credit and the associated impacts on wages, housing values and mobility.⁶⁶ The thesis findings suggest, that class itself, and the promise of multi-generational debt-servicing prowess serves as collateral. Future efforts would therefore benefit from expanding the unit of analysis from the individual to the multi-generational household in order to firmly establish how, why and when specific approaches to debt are attempted, how they are transmitted and more importantly, how they are then processed, interpreted and operationalized.

Class-based rhetoric and vying for the votes of ‘hard-working Canadians’ will once again become the norm as Canada braces itself for an upcoming federal election in 2015. Ideas geared towards implementing small changes to create ripple effects that would provide long-term benefits have been brought forward in the past. Liberal MP Scott Brison has previously advocated for tax relief for young Canadians entering the workforce, with his latest proposal in 2006 to increase the tax-free threshold to \$25,000 for the first 12 years of employment. Former

⁶⁶ See Wright (2000: 26). My utilization of *shadow class* is inspired by a research method proposed by Wright to identify the class location that married women would occupy should their marriage dissolve. For the sociology of debt, I use shadow class to refer to the visible manifestations of class that become apparent only in the limitation or absence of credit.

Conservative Senator Hugh Segal has championed a grant of \$18,000 for every working age Canadian, the idea that spending up-front will have significant financial and social return on investment. In 2011, the New Democratic Party's electoral campaign promises included a proposal to cap credit card interest rates at prime plus 5 percent, a proposal that was to provide relief of approximately \$60 a month to the average credit card user. Are these efforts designed to effectuate meaningful change or maintain the status quo? Mills (1951: 354) had argued that "the new middle classes are up for sale; whoever seems respectable enough, strong enough, can probably have them. So far, nobody has made a serious bid."

However, as this bidding is occurring, what has been lost is the realization that the social and technical exigencies between creditors and debtors provide the opportunity to create contradictions capable of transforming employment relations as the mechanisms deployed to regulate the behaviours of debtors echo methods utilized to promote the lean ethos and free production from the constraints of capital. This forms the basis of debt as a vocation. Future research can be directed by further exploring how these constraints are put in place and how the authority is maintained. The concept of intersectionality may clarify the multiple facets and contingencies impacting social identity that serve to reinforce the oversight mechanisms of debt dependency. While this work has focussed on the processes of indebtedness, another area of potential research would place a greater emphasis on outcomes as experienced through bankruptcy proceedings. Such an approach will yield additional insight into the role played by the state and institutions in taking control over failed consumers. Finally, the interviews outlined how individuals acquire financial knowledge to navigate indebtedness, perhaps however, future focus needs to be shifted toward processes of *not learning* and their associated impacts of financial illiteracy on innovation.

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Interview Transcripts

Interview # 1: Marc. Profession: school teacher.

INTERVIEWER: Can you let me know how long you've been retired and have you enjoyed retirement to date?

MARC: I retired in June 2006. I can't believe it's been about 8 years! I've really enjoyed my retirement. One because I've certainly made sure that I had sufficient funds to enjoy my life and of course the profession that I chose certainly helped me achieve that.

INTERVIEWER: And the profession?

MARC: Teaching. I was an elementary school teacher. Most of the time I was teaching it was called the elementary grades, 4 through to 6.

INTERVIEWER: Has retirement met your expectations?

MARC: It has. I mean I fully anticipated that retirement would be busy for me. By that I mean that I would be doing part time jobs because I didn't want to go back into teaching. Some of my colleagues went back and did supply teaching but I just wanted to do something totally different and that's what I've done. I've picked up a number of part time jobs here and there, most of them are short term, and that's absolutely perfect because I did not want to be working through some kind of full time job taking away the position of some younger person. I just wanted something that would keep me making a little bit of money and also stretch my brain which is very important once you're retired.

INTERVIEWER: Would you mind letting me know some of the specific jobs that you've taken because in speaking with some of the other interviewees they had mentioned that it was actually quite difficult to find jobs in retirement.

MARC: Oh, well interesting. The one job that I really enjoy is working on the elections. I have worked with what's called Elections Canada and Elections Ontario. I picked up the role of being a technical support person and that, when elections are called, thrusts me into work and that can last for a period of 7-8-9 weeks depending on the situation. It's very intense, 7 days a week and it really makes your brain work. You've got to learn new things about software, or people, procedures. I'm already signed up for the next one. These jobs are out there and people just need to take a look around and see what opportunities exist, these things are advertised. So working for Elections Ontario and Canada, I've also picked up some painting jobs. I do some interior painting and it's almost by word of mouth that you'll find somebody wants some room painted. They don't want a professional job, they just someone to help them come in and spruce

things up. So I've done a lot of that actually. Again, if you know somebody, before you know it you've got yourself working in many places. In fact, I've had to learn to say no. I could potentially be working seven days a week. It's interesting that other people are saying they find it difficult to find a job to do.

INTERVIEWER: In relation to the jobs, as far as income replacement, do you think you'd have been able to come close to your pre-retirement income doing these kinds of jobs?

MARC: Well, that's a good point. No. No, what I make painting would certainly not meet what I'm getting at present time. I'd almost have to go back and find a full-time job and in my retirement that's not what I'm looking for and wasn't part of the plan.

INTERVIEWER: But working part-time was part of the plan?

MARC: I thought it would happen. It was interesting that that's what ended up happening. Again, by word of mouth you talk to different people and find out people have a need. In fact, one of my very first jobs was a friend who had a broken basement window and the entire frame was broken. He was trying to get companies to come in and fix the window but because it was such a small job they didn't want to bother with it. I took that job and that's was really the start of it and just kept on going on and on from there.

INTERVIEWER: Can you remember the first time that you went into significant debt?

MARC: The first car that I bought (laughs) and that was going back some. The car was worth \$2,000! I mean, try to get a car for that price nowadays and that was almost new! I think it was new! I had saved some money but didn't quite have enough. I'd just started teaching and so had to borrow money. That was really the only time I fell into that position.

INTERVIEWER: Do you remember the make and model of the car? Would you do it again?

MARC: 1974 Plymouth Duster. Yes, I think I would. It was circumstances. I was getting into teaching and needed a vehicle that was reliable because the teaching position was out in the country side, no bus service. It was a case of I needed some wheels to get to work. I thought, oh good, I'm going to get some money now I'm teaching but obviously it takes time to get that money into your bank account.

INTERVIEWER: Did you have some fears or trepidation about taking on that debt or were you confident in the teaching success, or did you not really even think about it?

MARC: I did think about it. No, I never had gotten myself into debt before that. Even though my parents had a mortgage for decades on the house that they purchased and I felt that that wasn't something that I really wanted to get into. I wanted to get myself into a good job so no, I

wasn't really worried. I just knew that it would take time. I wasn't married, no other expenses and I could pay it down very quickly and I did that.

INTERVIEWER: With your parents having the decades of mortgage payments, did your parent ever provide you with any words of wisdom regarding debt?

MARC: That's interesting. I'm trying to think back now. The words of wisdom that came out and came out consistently were to never go beyond your means. Even though they had in essence gone beyond their means. That was the lecture and saying that they used and I took it to heart. Yeah, that's exactly how I perceive things and how I've done things.

INTERVIEWER: From your perspective, have you provided any words of wisdom to your children and were they wise?

MARC: They got basically the same message. You should never get yourself into debt. If you're looking to buy something then try to save something. Maybe sometimes you have to bite the bullet and maybe wait until you can purchase it. Of course, other than that first car I've really shown them that's the way that I've done it. I've not gotten myself into debt. We've saved money, if it was a trip or buying something I always made sure that we saved and then purchased it.

INTERVIEWER: Did you ever question your own strategy if you saw people in your circle taking on debt to take a nice trip or extend a bit further on the household?

MARC: No, I never did question my philosophy. I certainly did question the philosophy of many people around me who I could see getting themselves deeper and deeper into debt. A lot of times it was maybe impulsive on their part, they wanted that trip, wanted something and didn't want to wait. Wanted it now. My philosophy was that I can wait, make do with what I've got.

INTERVIEWER: Did you ever experience through your network someone who went through significant debt problems?

MARC: (long pause)...Yeah, I would say that I certainly know a number of people who got themselves deep in debt and are struggling to survive and are right on the edge of trying to meet their monthly expenses in terms of renting an apartment. You know, their hopes and dreams of maybe purchasing a place on their own will never happen because they know they can barely survive month to month.

INTERVIEWER: What kind of toll do you think that takes on someone's psyche?

MARC: Oh, it's huge...huge. I mean the two people that I know; I mean it's caused them to go to the doctor. They basically need medication to calm themselves; their anxiety is really really high.

INTERVIEWER: Would they be at the stage where they are receiving friendly calls from collectors?

MARC: I really don't know. I can't answer that question.

INTERVIEWER: Would it surprise you at all if I told you that out of the first 10 or so interviews that you're the first individual who actually said that their parents gave them some words of wisdom?

MARC: Oh really, that's shocking! Surprising. (laughs)...Well.

INTERVIEWER: Do you there's any specific reason why your parents would have wanted to discuss it?

MARC: My parents came to Canada in 1952 from England. They did not have two cents between them. They arrived with their luggage and that was it...well, along with myself and one of my brothers. So, they worked hard to achieve what they managed to do. It took dad a long time. He worked at the Steel Company of Canada. A lot of night shift work that certainly took a toll on him health wise. From that sort of beginning in the country they felt that for their sons they just wanted to make sure that we didn't get ourselves into debt and save your pennies and that's certainly what we've done.

INTERVIEWER: Being a teacher, I'm not sure if toward your retirement date if you went through pension renegotiations and to what extent those discussions had an impact on you, how they made you feel given the long term commitment and implicit contract?

MARC: I made it my business as a teacher to be aware of any negotiations that were taking place over the years when our contract was up for renewal. I never really worried too much because I could see how the pension money was being managed. It seemed to me that it was being managed wisely. I kept up with whatever process was available to know what I would achieve at the end of my teaching career. So from my perspective I never really had that concern. You're always concerned about not receiving as much money as when you were teaching. The main concern is whether or not you can maintain a good standard of living, a good life of enjoying myself with my wife, will I have enough money to do that. Of course, again, if you get yourself involved and go to some of the professional development which is provided to you to learn about your pension then you know. Yes, the answer was definitely yes.

INTERVIEWER: If you think of people who are in financial distress or have filed for bankruptcy what kind of thoughts come to mind? How would you describe that person to me?

MARC: Personally, I don't know of anyone who has filed for bankruptcy, or at least they haven't told me. I definitely know some people who are on the ropes as they say but...

INTERVIEWER: How about a slightly different take on that one. Throughout history there have been examples of public spectacles for debtors. Putting them in the city square, painting them, signs on their houses, cutting off fingers, hands...to where we are today. Have we come too far one way or the other? Is it too easy to take on debt?

MARC: Yes, it's certainly easy to take on debt. The advertising that you get on TV, radio and newspaper. Oh, you can get your credit card and spend spend spend. And you know some people who say well I've maxed out that card so I'll just, hold on, I'll start putting it on that one. And they do, they've got two, three, four different credit cards. The advice to anybody like that would be you're on the wrong track. You've got to cut back, cut it back to one card and tighten the belt. You're wanting too many things. People have to ask themselves what they really need. Sure there are things that you want but what do you really need.

INTERVIEWER: Do you view it then as largely controllable?

MARC: Well...(pause)...I don't think it's something that you can do with people, control them. There are people that no matter what you say or do that the drive in them to buy and want things is so high that they will do it no matter what.

INTERVIEWER: What about controllable in the sense that they put themselves in that predicament?

MARC: Well, a lot of people certainly do put themselves in that predicament. I'm sure there are courses and presentations that you could take but somehow I think that the people would avoid it, they wouldn't want to bother with those kinds of things. It's an attitude.

INTERVIEWER: Would you think it's a new found attitude?

MARC: I think it's an attitude that's pervasive through our society. I see myself as being in a small percentage of people of trying to avoid getting myself into debt and I've managed that. But as I say, a lot of people I know, they are in debt. Most of those people will always be in debt. It's out there. Part of the problem is the way people are bombarded with all of the ads. Look, here's the newest cell phone, this one does that, gotta have that one! I think it's tough for some people to actually say no.

INTERVIEWER: Do you see that across generational lines or amongst members of your own cohort?

MARC: I think it spans all generations. There are people my age who have to have the latest electronic gadget and it doesn't matter how much debt they need to get into it, they want that. I see a lot of people who are younger than myself, doing the same thing buying cellphones, computers or tablets, whatever they can.

INTERVIEWER: Re: anxiety over debt we touched on earlier, with regards to their employment, were these lower paid jobs or well paid jobs the individuals held?

MARC: These are lower income jobs for sure.

INTERVIEWER: As far as mechanisms that can be used to defend themselves, there is lots of advice. For example, during the meltdown, our Prime Minister counseled that now is a good time to invest in stocks. What are your views on purchasing stocks to support retirement?

MARC: I didn't personally. My wife has some stock. And that really comes from her parents who had the same philosophy that we have regarding debt and felt that you always have to plan for the future. One of things that they could do for their daughter at a very young age was to buy her some stocks and that's what they did. And over the years that builds and it just keeps on building. It's a long-term thing. I don't have the stock, my wife does and that helps us today.

INTERVIEWER: If you were going to engage with the stock market, do you feel you'd be well-equipped?

MARC: I've done some reading, I've played around with some of the websites where you can do some mock purchasing of stocks and track that over months years to see how they perform.

INTERVIEWER: How'd you do?

MARC: Not bad, didn't really make a whole lot. That's why I didn't really dip into it. I know something about it but I don't have that background, expertise to do it by myself. I'd need to have a broker to really be in charge. I just haven't felt comfortable going that route. I just stayed, putting my money into GICs, tax-free savings account, put some money there.

INTERVIEWER: Have you yourself, or anyone you know, ever been asked to co-sign loans on behalf of dependents or friends?

MARC: There may be something way back, but no.

INTERVIEWER: With regards to co-signing loans, how comfortable would you be providing that for someone else?

MARC: I wouldn't be. I'd certainly go out of my way to help them, maybe coach them on how to manage their money but if it was something possible to do it that way, but to co-sign. No.

INTERVIEWER: StatsCan data shows that 1/3 of retirees carrying debt into retirement with a cross-section carrying significant debt into retirement, say \$80-100,000. For the most part, the numbers are relatively low, but what are your views on that?

MARC: I can only think back to some of my co-workers and how they would be spending their money paycheck to paycheck and wouldn't have anything they could save. Their money always disappeared. They seemed to be almost at the point of throwing it away by spending it frivolously on whatever. They wanted the good times right then rather than really thinking about it down the road. For the most part, I think most people have put themselves in that position. I can understand that people can be into debt up to a certain point. Let's face it, your refrigerator dies, all of sudden that can throw your monthly expenses out the window. Refrigerator and you get a flat tire, so certainly there are times when you can fall into that, but that's definitely a shallow debt I think compared to some people who are deep in debt over time who have put themselves there.

INTERVIEWER: There was a fairly high trend in the US of individuals having to take care of their parents and also experiencing children moving back in, the sandwich generation...Have you heard of any instances of that scenario?

MARC: We've heard of people in our area here who have been in that situation with the grandparents being in the home and caring for them. And yes, with younger people struggling to find a job, and we see a lot of that with some of the friends and family that we know. It certainly is, a difficult time, especially for the young people today that's going to keep them going for a number of years allowing them to build up some equity and look forward to a retirement. I really worry about what's going to happen to young people in their 20s and 30s down the road. I really don't know.

INTERVIEWER: What are your views then on youth taking significant debt burdens to go to university?

MARC: That's a big one isn't it? You see a lot of people who want to go but maybe there aren't the jobs that there used to be. Some of my friends, when I went to university, worked at the Steel Company of Canada which for the most is non-existent, or Dofasco, another big steel plant here in Hamilton. Those were good paying summer jobs. Many of my friends were able to take those and go to university and come out the other end without being in debt or not that much. Today, there are not those jobs. It's really tough for the young people. I don't know what I would do in that position. I've said to you all along that I don't like getting into debt...so what would I do? That's a tough one. I guess I'd be out there trying to take on as many part-time jobs as I could. How many are out there today? I just don't know, it's something that I'm not aware of.

INTERVIEWER: In a previous life, I used to work at Export Development Canada, and worked in the steel portfolio. I remember speaking to a contact at Stelco who was in constant fear of the bankruptcy occurring which happened just before his retirement. If you know the network at all,

I'd love to hear your views on the town itself when those bankruptcies occurred and some of the financial distress, the conversations that occurred?

MARC: Yeah, yeah. It's the old multiplier effect. It just goes around the entire time. Suddenly people don't have the money, or they're worried about their benefits and people obviously start tightening their belts so people aren't shopping, buying. It has an impact on the whole community. Stelco used to be such a huge employer and I think now we're down to a few hundred if even that left today. But it's always something that people will talk about because so many from this area have family who either worked there or still work there, so the concerns were huge. What am I going to do in my retirement?

INTERVIEWER: Do you know off-hand what happened with their pensions? I'm assuming that they got a percentage on the dollar?

MARC: Well my father worked at Stelco for 31 years and ended up with a decent pension. My father passed away and my mother who is still alive is receiving the survivor's part of that and it's just enough really to keep her going in her apartment. We keep hearing that with US Steel having taken over that they may be pulling the plug so we don't know if there will be any cuts. Some people are saying 40% cut to the present pension Stelco workers are getting. Forty percent off of what my mother is making will make it very difficult for her to survive month to month. Certainly a concern that runs through the entire community.

INTERVIEWER: Given these concerns, what would be your take on a middle class retirement?

MARC: In terms of your expectation of surviving month to month, that you'd be getting enough in your pension to pay your rent, pay for your food and have a bit of money left over for some entertainment. Maybe you could buy a few things, if you're into hobbies, if you're into model trains that you'd be able to buy some model train equipment. You know, that you'd be able to just make it and keep your head above water. That's how I would see it being in the middle.

INTERVIEWER: From your perspective, what's more dangerous, having access to too easy credit, or not having access at all?

MARC: Probably both. I think part of the problem people face like we discussed earlier is because credit is too easy and they get themselves deep in debt. The other side of the coin when there's no access, when people need some kind, something to tide them over for a few months and buy a used car or something. I think it'd be dangerous if they couldn't do that so I think both could be a big problem for a lot of folks.

INTERVIEWER: Margaret Atwood, had written a book on debt...morality, the balance between good and evil. And one point she characterizes debt as a treadmill that never stops. There are other works that have compared access to credit as water, being necessary for survival as shown

by microcredit where people get access to small amounts of credit to survive. What side of the fence are you on?

MARC: I certainly would not want to be on that treadmill. I don't think I'd be able to sleep at night if I was on that treadmill. It would affect my well-being. My health would go downhill. I would lean to that micro-debt and maybe getting into debt a little bit. I mean, we do that anyway by using our credit card and purchase things and pay it off as fast as we can. For me it's at the end of every month and make sure I pay it off.

INTERVIEWER: So let's throw a scenario at you. Let's say you're 45, making a decent income but still have \$300,000 on your mortgage. What kind of state of mind are you in?

MARC: I would feel I'm on that treadmill. How could I ever pay it off short of trying to get myself another job and how can you do that if you're already working a full-time job.

INTERVIEWER: Would you feel it's your obligation to repay and zero-balance that debt?

MARC: Personally, yes, I would. That's my philosophy and my attitude. I don't want that debt, that's way too much. I wouldn't be sleeping, I'd be worrying about it constantly.

INTERVIEWER: So, no sense of screw the big banks?

MARC: No, no. Even though I realize that they are filthy rich to put in bluntly with their billions of profit that they make. But looking at my own personal self and not going beyond that when I think that way. It's my own self-worth that I want to knock this debt down to zero.

END Interview #1.

Interview # 2: Tim. Profession: audit and evaluation

INTERVIEWER: As some preamble questions, can you please me know how long you've been retired and how it's been so far?

TIM: I retired right after Easter, so just a little better than three months. Contrary to people who told me that I'd find the transition difficult it's been I think the easiest transition I've ever experienced. It's been great.

INTERVIEWER: And what did people say would be difficult about the transition?

TIM: I think it's what they didn't say. There was a suggestion that I might not have enough to do.

INTERVIEWER: Anything about that with regards to missing work?

TIM: Missing work, certainly missing the social aspect of work. Those two things in particular, maybe it's because we moved into a new community and we're pretty avid golfers. The community has proven to be a bit of a melting pot and we fit right in and met a lot of new folks so the socialization aspect has taken care of itself. It's actually worked out very well.

INTERVIEWER: Along with retirement had you planned the move to align?

TIM: Yes, we built a house, I commuted for a few months last winter and spent the rest of the time using up my accumulated holidays in the south and came home just before Easter and worked for ten days and then retired.

INTERVIEWER: Good for you. And the new house, did you upscale or downscale?

TIM: Price wise we traded, it's smaller than what we had. In that respect we downscaled but we promised ourselves that we'd have a new house, and we built it. We also set out, and offloaded most of our furniture on our dear son, anything he wanted he could have and we replaced it for here so that we would have a different look.

INTERVIEWER: With retirement so fresh for you, as of now, did you ever have any plans to go back to work?

TIM: No. I told folks, contract work was definitely offered, not offered but suggested and that there would be opportunities for that type of thing. Probably a quarter of the workforce that I had on my team I had recruited, I had picked up retired folks from a department that I had worked in. So certainly it wasn't a new concept, there's a place for people like that in the kind of work I used to do. But I didn't think that I wanted to do that and so far it hasn't appealed to me.

INTERVIEWER: Was that the plan all along?

TIM: Pretty much, yeah.

INTERVIEWER: How would you view your ability to get jobs within your field or to try something new now?

TIM: I think trying something new at my age would be a challenge...unless it was greens keeper or farm maintenance work or something like that. The area of work that I was in, audit and evaluation, ethics, that sort of thing, being older in that is actually somewhat of an advantage. There's a lot of that kind of work around and age isn't a discriminating factor in terms of being able to do it.

INTERVIEWER: When you were leading up to your retirement, did anything keep you up at night?

TIM: No. Retirement didn't sneak up on me. I was probably thinking about it off and on for the last 10 years prior to doing it. Did things keep me awake? No, they were run of the mill kind of things. Life happens so they say that caused a person to lose sleep over the years. But worrying about retirement wasn't one of them.

INTERVIEWER: When the financial crisis occurred and the impact on stock markets, were you impacted?

TIM: It did, but ironically, this is where Prime Minister Harper comes in, what he said at the time was that this is a downturn but that it's also an excellent buying opportunity. I was fortunate in that I was positioned to take advantage of the buying opportunities and I did so it worked out to our advantage in that respect. The other part of it was that we had pretty much decided where we wanted to retire in terms of having a winter place in the States, in Florida. The downturn in their real estate market coincided with the increase in the Canadian dollar, our dollar reach par and then beyond, so it was an excellent buying opportunity there to. And again, we took advantage of that. Looking back on it five, six years later, for us it was a good thing, not a bad thing.

INTERVIEWER: How would you rate your overall comfort level with stock markets? Were you an active trader yourself?

TIM: I was an active trader, well, what's active. Did I do 25 trades a month? No I didn't. I've been playing in the stock market nearly 15 years so I'm somewhat familiar with it but I tend to stay away from things that I don't understand. So puts and stuff I tend to avoid. Was I a successful trader? I bought Nortel. How'd that turn out?

INTERVIEWER: Depends on when you bought it really.

TIM: Exactly. I bought at the wrong time, then doubled down, wrong thing to do. Knew better. Overall, didn't make a lot of money at it but enjoyed myself.

INTERVIEWER: Would you recommend individuals followed Harper's advice?

TIM: At that point in time, if you were positioned to buy, proof is in the pudding. Buying bank stocks in 2008-09 were a great investment. Blue chip stock, absolutely. Nortel was too at the time!

INTERVIEWER: Can you remember the first time you ever went into debt?

TIM: That would probably be my student education. Took out some student loans to get through university.

INTERVIEWER: Can you tell me a bit about the process?

TIM: At the time, they were prepared to lend students money that didn't have to be repaid until you graduated or left university. The amount of money you got, based on your application someone decided how much of that money you got and they also decided arbitrarily how much of it was a loan and how much of it was a grant. In my experience, I got a portion of what I asked for as a grant that I didn't have to repay at the end of my education. My parents' income was a determining factor, the money I made in the summer months was another one, how much I managed to save was another consideration. It was actually a pretty good process.

INTERVIEWER: You mentioned your parents' income, thinking of your parents, did they ever give you any advice on preparing for debt?

TIM: You know, in preparation for this interview one of the things, I don't know where I heard this or where it came from, whether my parents, I don't think that's really true, it probably came from somewhere else...so two parts to that answer. I remember the rule of three, or something along those lines. A single expenditure shouldn't take up more than 1 month of your gross income. A luxury item like a car or something shouldn't take up more than three months. And a house shouldn't cost you more than three years. Somewhere along the line that got drilled into me. Do I remember my parents talking about money, no I do not. I do remember my son asking my father how my father came to be as well off as he was and my father responded, it's easy, just don't spend it. So did those things trickle through, it probably did.

INTERVIEWER: So, to go back to the rule of three, it was the house that shouldn't take more than three years to pay off?

TIM: No, it shouldn't be worth more than three times the salary you're making at the time that you buy it.

INTERVIEWER: How well did you follow your parents' advice?

TIM: I am much more frivolous with my money than my parents were. They did accumulate a lot of money. They gifted us a lot of money as a result of that. I'm fairly careful but not as careful as my parents were. I'm not as conservative. That said, they travelled the world, bought luxury cars. I think they did fairly well for themselves.

INTERVIEWER: In previous interview, there's been an overwhelming majority saying that their parents didn't give them specific advice...

TIM: Nope, just example.

INTERVIEWER: Just example. How about yourself, did you provide any advice to your children?

TIM: Sure. I told my son to invest in Nortel (Laughs). How'd that work? He'll remember that to this day.

INTERVIEWER: Aside from the Nortel debacle, was it something that you felt the need to do?

TIM: At an early age my son took on a paper route, he also got gifts as a child from his grandparents and others. We always had a 50/50 rule. Fifty-percent of what you receive is your to keep, the other fifty-percent goes in the bank. That's about as much financial guidance as we gave him. The rest he learnt himself.

INTERVIEWER: Whether yourself, or within your group of peers, are you aware of anybody who may have experienced financial difficulties? (Statscan follow up...one in three...)

TIM: A name, a face isn't coming to mind so I guess the answer to that is no. One of things though I commented on that I've noticed. When we winter in the south and you're sitting around the community pool you can't help but hear what people are talking about as they float in the water, right at your feet so to speak. One of the things I hear often as a topic there amongst the Americans is how someone just found a new mortgage rate, and what a great deal they got and something along those lines. It's always struck me that your Canadian rule of thumb is that you don't retire until you're mortgage free. That would sort of be rule #1 in my thought process. That's one of the things that distinguishes, mind you their tax treatment of mortgages payments is different than ours so there is an incentive for them to keep a mortgage. In terms of if I know anyone who has had financial difficulties and had to return to work? I know of people, when I spoke of the team I had before, who are quite eager to come back to work after they've retired and I think part of that is them realizing that they needed more cash flow than they had. That was the exception and I think it was also because of family problems, divorces, stuff like that.

INTERVIEWER: When you consider your take on what middle class retirement, what comes to mind?

TIM: I've kicked this around with brothers and people I've worked with. I think you got to making about close to \$100,000, \$80-100,000 to make ends meet.

INTERVIEWER: And that's what you equate to middle class?

TIM: Yep, if I consider myself middle class.

INTERVIEWER: Do you have any issues with people taking more debt into retirement?

TIM: Never really thought about it. One of things I have noticed is more and more older looking people still in the workplace. And I'm noticing it now in the service industries, the Walmart's, fast-food restaurants, places like that. So I'm guessing those folks are doing that to supplement their income because they need to. I'm not sure that's a bad thing. If we're going to

live 20-25 years longer than our parents I don't think sitting on the couch with a remote is the answer. If going out and staying active in the community by being a Walmart greeter is something that you want to do than I don't see anything wrong with that.

INTERVIEWER: Whether it be the Walmart greeters or anyone, what are your views on familial obligations?

TIM: My generation has often referred to itself as the sandwich generation. In that context we feel like we're responsible both up and down. Our children probably haven't been as responsible, cautious and frugal as we were. Our parents, why they may not need financial assistance will need other services and support and maybe we try to give back to them. So yeah, familial both ways.

INTERVIEWER: Have you ever had the opportunity to co-sign loans?

TIM: I've had discussions along those lines but I have never done so.

INTERVIEWER: And if you were to contemplate someone taking on that role. Say a retiree, their child asks them to support a sizeable loan, would you have any trepidation?

TIM: Yep, of course. Sorry, not of course. From my perspective, of course. It would depend on the age of the children. What their track record has been like to date, what their lifestyle is like. I think there are other options. The only situation I can envision where I might co-sign a loan would be for the purchase of a residence. If that's what I was being asked to do, I would probably be more inclined to suggest that I would be willing to help out on a rental arrangement until such time as the child was better positioned to buy something on their own.

INTERVIEWER: What would you consider worse, access to no debt (money lenders, etc...) or the opposite where credit is very easy to come by?

TIM: I think part of the social difficulties we have now is a result of credit being too easy for some folks and the costs of that practice being passed on to people who do pay their bills. I think that's all a bit out of whack. I think going to a money lender at 20% off your income tax return or whatever it may be because you absolutely need the money, well, if it's a one-time incident fine. That might be one of the options. But if you're finding you have to do it more than once than there's something wrong in how you're living.

INTERVIEWER: You mentioned that there are certain social problems now tied to easy credit, would you mind elaborating on that?

TIM: I think a lot of people have managed to get themselves into debt to the point where personal bankruptcy is pretty much the only option left to them. If that happens later in life, you're pretty much always running behind the ball at that point short of a lottery win to catch up.

I think another contributing factor to that is, there doesn't seem to be a willingness to defer the purchase of, in many cases, quasi luxury items until you've got the money. People would rather go into debt so they can have what they want when they want it or to keep up with the people they are trying to impress.

INTERVIEWER: What would your initial take of an individual in debt be?

TIM: I think it would depend to some degree on circumstances. I'll share a bias. You watch tv, you see a television reporting going into a situation where people are really hard done by. If people are smoking while they're being interviewed, that bothers me because that's a huge expense. It's a huge voluntary expense so that strikes me as the first thing because shouldn't do if money is an issue. So that's a bias. I'm not sure if that answers the question...

INTERVIEWER: The reason I'm asking is due to different morality associated with debt...(public shaming, etc...) Have we come too far the other way? Is the balance appropriate between public shaming and restitution?

TIM: Let me go back to an earlier comment. If anything, I think our pendulum has swung...I'm not advocating public shaming or hands being cut off or anything like that, but I do think the pendulum has swung a bit too far to the other side. Construction companies that start off as the ABC Construction Company that have a number of people, service providers who do the work for them, they don't pay the service providers, take all the profits and they go bankrupt and they now come back as the BCA Company. Same people doing the same job and they just passed their practices, and in some cases their conscious practices of taking their money, declaring bankruptcy and starting again. It's the exact same business line as before, it just doesn't seem right. The guy getting caught is the service provider in the middle of them, the garage opener guy, the plumber, the electrician, so that's not appropriate. I think people who have, you know the American situation, people, dishwashers, making less than \$25,000 a year who were able to claim ownership of property worth half a million dollars, you know with the expectation that it would be worth \$600,000 a year later, those situations are too common now. Credit card debt seems to be in that area, at least, my source of information is anecdotal so I can't quote numbers but in terms of what I've heard and what people say. Some people have managed to get themselves into a situation where their minimum payment is more than their net. Well, somewhere along the line, credit providers should have stepped in and stopped that.

INTERVIEWER: That raises an interesting point...what obligations exist on behalf of the lending institutions? Is there any moral obligation on behalf of institutions?

TIM: The only work I'm stumbling on there is 'moral'. Do I think there should be a moral obligation, yes, how you go about measuring that, implementing it, who decides what's right and wrong, those are all fairly tricky questions. Ignoring the moral for a moment. The balance sheet considerations should drive part of that decision, is there a reasonable expectation that this

person can repay this debt. The old idea of what collateral do you have, can you offer me, how secure is this loan that we're making? I think there needs to be a little more of that, but I don't have any personal experience with it so that doesn't help.

INTERVIEWER: Do you think individuals who do end up putting themselves into financial difficulties (for variety of reasons...). Optimistic planning or poor planning?

TIM: Or no planning at all? I think all of the above. I think my nature would probably be that if things are really, if your future looks really bleak I'm still going to hope that something works out in the future so I would hope that I would be overly optimistic and keep on going. So I hope that I would be accused of being overly optimistic in my planning. But it comes down to the realism. Do you know how much money you spend? They've got television shows that people watch that are based on that premise. We'll show you a better way to live if you live within your means.

INTERVIEWER: So you've mentioned you're not quite as conservative as your parents...

TIM: I probably spend more money more frivolously than my parents ever did...there's no doubt about it. I do.

INTERVIEWER: Overall, though, you're very conscious of inflows and outflows, do you feel that you're in the minority on that front?

TIM: I'll go back to my work environment because for 10 hours a day those are the people you talk with. I probably kept track of where we spent our money for at least five years, probably closer to eight, before I retired. Not to the penny, but we had a sense of how money we for eating out, gas, insurance, that kind of thing. The whole idea was knowing where we spent our money would give us a much better sense of what I needed to have to continue to live the way I wanted to. In having that kind of conversation with people at work I didn't get the sense that they were doing that sort of thing. But many of them weren't as close to retirement so maybe they didn't have the incentive to do that.

INTERVIEWER: What would have to happen for you to want to go back to work?

TIM: I'd have to want to work. That's the biggest thing. I'd have to feel the need to do something more than what I was doing at the moment. I can't envision it, but if I absolutely had to raise money I guess I'd consider it.

INTERVIEWER: Would you think you have an obligation to repay all your debts before your time on this beautiful earth is gone?

TIM: Oh, I have no intention of leaving any debt. Why would I be retired and still owe people money?

INTERVIEWER: For you it seems to be an incredulous question, but it does seem to happen quite a bit. Were these things within their control?

TIM: I guess I don't know the answer to that. I don't know what motivates people to work. I do have a sense, particularly in Florida, of how much money the retirees have and quite frankly it's less than I have. But I don't think they're passing away owing large amounts of money.

INTERVIEWER: Had you moved further out of the city? (yes)...Is it a retirement community?

TIM: I look down my street five houses to the left and right and everyone looking back looks just like me. They can't enforce this as an adult community. Across the street there's a family with a couple children, I mean babies. The only kids we see on the street are grandchildren.

INTERVIEWER: Is there a noticeable change in the cost of living?

TIM: No, my taxes are comparable. We trade the value of the house we had to the value we put into this one. The big difference is there are no sirens, no hustle or bustle. Might hear geese.

INTERVIEWER: Rule of the three, which you thought may have come from your parents?

TIM: Dad didn't tend to preach very much, he just sort of did and you followed along. You watched what he did and if you liked it you did it yourself.

INTERVIEWER: From your own experience, are there any rules that you would propose? Aside from the quit smoking?

TIM: (laughs). Don't smoke, don't drink. Right off the bat. Some people would have a lot more money. No, I guess I don't have any rules. I talk a lot with my son about financial things, my son tends to talk a lot and I listen. He has a better understanding of finances and debt perhaps than I did.

INTERVIEWER: Role of Government, should they play a role in advocating how to properly use debt?

TIM: Overall, the less government gets involved in anything the better off we are, with the exception maybe of social services. I'm inclined to say no. That said, I go back to Harper and it being a buying opportunity, Lewis Black uses that as fodder for one of his acts. How idiotic our senior leaders are when Prime Minister of Canada says this kind of thing as the time he said it, when in fact it was excellent advice, in my opinion.

INTERVIEWER: And it was bang on, provided you had liquidity.

TIM: And of course that's the part the comedians don't put into their act. Harper's not an idiot, you know he was saying for those of you who are able to view it this way it's probably a really good buying opportunity and he was right.

INTERVIEWER: Potentially not sensitive to those who couldn't partake?

TIM: Well know we're getting into a completely different realm about being politically sensitive and politically correct. I think that there's way too much of that. If we spoke a little more clearer we'd all be better off. That's another topic.

INTERVIEWER: Well, I wonder if it is. If we go back to the morality associated with debt and defaulting, obligations, at the inception of Canada this was something that was more face to face. You knew the individuals, they knew you...

TIM: I remember back in the 70s, my neighbour across the street was an Italian immigrant to Canada and one of the things he said that stuck with me all these years. He said, in Italy, you can tell a person's position in life by looking at them, in Canada, you have no idea. The person you think is really rich, doesn't own anything. That's the point he was trying to make. People lived within their station in life. I know that sounds really awful but they stuck to the means they were able to afford. In Italy you didn't wear a tuxedo, in Canada anyone can rent a \$40 tuxedo.

INTERVIEWER: As far as other depictions, have you heard of the 99% or the 1%? With respect to protests that occurred in the United States where the 1% were taking majority of profits, resources, etc...

TIM: First of all I don't believe it. I do believe that a small percentage of people have a disproportionate amount of wealth. Someone like a Warren Buffett throws that scale out of whack. Do I think that's wrong? I don't even know how to start answering that. I'm going to say something not politically wise here. One of the reasons I'll probably never vote for the NDP party is because I envision their philosophy as being where they share the wealth that exists but I don't see them contributing much to the increase of wealth. Going back to your moral question, did they do it morally, earn it ethically with regard to the people who worked for them and that's a different topic, but if the answer is generally yes, then I certainly don't have any objection to them having it.

INTERVIEWER: The flip side, for people indebted, going back to putting themselves in debt...

TIM: I know that it sounds callous. But a lot of life's experiences are a result of decisions. If you consistently make bad decision you may not have an enjoyable life. At some point you need to scratch your head and ask yourself if you're making wise decisions. If you leave school early to go paint the pipelines in Northern Alberta, okay, maybe try to invent a new paintbrush to

compensate for that otherwise stay in school, get an education, do something and you can probably provide for yourself. If you don't do those things that's nobody's fault but your own.

INTERVIEWER: So taking on debt to support those kinds of decisions would be viewed as productive debt?

TIM: Like a student loan? Yes, I would consider that productive debt similar to a mortgage. Owning property seems to be a time tested way of being fairly comfortable in your later years. As long as you don't over-extend yourself owning property down the road doesn't seem to me to be a bad idea either.

INTERVIEWER: You rose the notion of decisions taken...how would you view the impact of debt on the individual's ability to take decisions?

TIM: Oh, there has to be a really direct relationship. The more debt you take on, the fewer options you have for what you're going to do. It becomes a very limiting and constraining factor. You have to be careful about what you take on.

INTERVIEWER: If you say that the debt limits the options that are out there and the vast majority of people require debt at specific times in the life (schooling...). Is there a lack of an individual's ability to enter into free decision making and chart their own course?

TIM: I'm not sure this is going to answer your question but what I thought you were going to suggest was, because I do think there are certain points in your life where it's more reasonable to take on debt obligations. I thought what you were going to suggest was whether or not at a certain age taking on debt should be discouraged.

INTERVIEWER: And?

TIM: (laughs)...well it depends. I do think that there probably is a point. Should a 70 year old widowed lady should be able to take on debt without collateral than no.

INTERVIEWER: Is the condition of retirement a result of decisions taken throughout life?

TIM: I think that the decisions taken throughout life will definitely contribute to that. Is debt the only influencing factor? Absolutely not. There has to be all sorts of folks leaving areas of conflict that are leaving significant amounts of wealth just to get away. There's exceptions to everything. But generally speaking, I think that decisions taken throughout your life do factor into how you end up.

INTERVIEWER: Average bankruptcy stats show 41 year old male, with solid monthly incomes...what are the repercussions of that...

TIM: I think declaring bankruptcy can become a way of life to the same degree, and extent that being on social services I'm told, can become a way of life in the American population in particular. I'm talking about 5 and 6 generations in the same family who have never had full-time employment and rely on the social services to live on. That's what their parents did, that's what they did, that's what their children learn to do. Being able to declare personal bankruptcy and then to walk away, and I don't know all the rules, I thought it was 7 years or a period of time, but if you can restart that cycle in a shorter time frame and accumulate \$80-\$100k credit card debt making \$2,300 a month and declaring bankruptcy again, it's almost a self-fulfilling prophecy, why wouldn't you do that.

END Interview # 2.

Interview # 3: Barry. Profession: commercial banker

INTERVIEWER: Can you let me know how long you've been retired and what your feelings have been in retirement? Have you enjoyed it and has it met your expectations?

BARRY: I've been retired since May 2005, a little over nine years, and am absolutely enjoying it. It's probably exceeded all my expectations.

INTERVIEWER: And what exactly were those expectations?

BARRY: Staying active in some regard. Sticking in the business community, at least for the initial few years. Having more time to travel and to do the things that we enjoy doing. And to do them when we're still young enough to enjoy them.

INTERVIEWER: When you referenced staying active in the business community, were you referring to heading back to work or maintain contacts?

BARRY: Maintaining contacts, doing some board work, advisory board and more formal boards in a corporate world. Not not-for-profit. I had seven or eight years of not-for-profit work and that was rewarding but very frustrating at the same time. That's essentially what I've done since I retired. I'm only active on small board now, but over the years I've played a role in probably half a dozen companies for varying periods of time.

INTERVIEWER: Would it be fair to say that you've been at least tempted to go back to work?

BARRY: No, never (Laughs). People used to ask me how long it takes to adjust to retirement. I'd say that on the first Monday morning the alarm went off, I shut it off and went back to sleep and I was adjusted.

INTERVIEWER: So you were not one of those individuals who missed the social rapport with colleagues / subordinates, things like that?

BARRY: No, my wife and I both retired at the same time. We were both 55 when we left and we'd planned for it two years earlier. We were financially comfortable enough that we could do it. We both have lots of outside interests that fills our time and now we find...when we retired we had no grandchildren, now with 6 grandkids, 4 here and two in New York City, that we now find we're often out of time because the grandkids take (and it's not a complaint, it's very enjoyable), having any sort of involvement with 6 grandchildren takes a fair chunk of time so we find ourselves even busier than we ever imagined both socially and with other outside interests. I do miss some of the camaraderie. I spent the last 20 years of my career in the corporate world of banking in the technology sector and had some very high level relationships that were rewarding both socially and financially to the bank. So, some of that activity and having the inside look at what's going on, but no I didn't miss work or the regimen and the whole corporate environment that work entails.

INTERVIEWER: With the years leading up to retirement, were any concerns top of mind from a financial perspective? Social?

BARRY: None from a social perspective. I think everybody, no matter how well prepared you are financially, you know. I spent my career as a corporate banker with spreadsheets and forecasts, it was second nature. Even though you believe you've made all the right calculations and assumptions and forecasts and whatever, things can always go awry. So you can always have some back of mind, geez, I hope I made the right calculations and things we expected to do and the expenses we forecast are going to be accurate. There was no real concern, just what I'd call a natural sense of caution. You know, it's a long future. Let's hope that the calculations we made were factual.

INTERVIEWER: With your background and experience, I'm assuming that you had a decent level of comfort with the stock market?

BARRY: Yes, very much so.

INTERVIEWER: And did you partake, play around either through advisors do your own trading?

BARRY: Until I retired and even shortly afterwards I've always done my own trading but once we went into retirement and preservation of capital became more important I decided to seek a little more formal guidance and support and while I still take a semi-active role, for the most part I let the financial advisor make the decisions or recommendations and calls me. He doesn't have carte blanche authority and that works for me. I have one less thing to worry about and I'm not as plugged in as when I was working. We spend a fair bit of time away in the wintertime and

finances are not the kind of thing that you can ignore for two or three months at a time. So that being the case, it led me to finding someone who does this on a full-time basis.

INTERVIEWER: So you yourself had a fairly strong level of comfort with the markets. Would you say that you achieved your objectives?

BARRY: I would say yes. We were able to retire at a relatively young age, coming on ten years. We're better off now than when we retired so, yeah, I'd have to say we achieved the objectives.

INTERVIEWER: And what do you think of the average individuals' ability to acquire the same level of comfort as you with the stock market?

BARRY: Based on discussions with other family members who are mature adults in various fields, education, whatever, I'd say most people are not well equipped. In fact, after reading the book *Flash Boys*, it's been out in the last little while about high frequency traders, after reading that my faith in the market gets shaky but again, that's not going to stop me from participating in it. And if you haven't read the book you should (additional info on book).

INTERVIEWER: During that financial crisis, Prime Minister took a little bit of heat and also some positive feedback for his comment, now it's a good time to invest. What are your views on that being stated during the financial crisis?

BARRY: He maybe could have put it, maybe made the comment longer and explained himself better. But certainly all he's doing is repeating the investing wisdom of numerous people from Buffett to others, when everyone is selling, it's a hell of a good time to be buying. But that over simplifies things and if nobody can tell when the bottom reaches bottom until for when things turns around. I always make sure I keep some funds in cash for when opportunities arise you want to take advantage of them. It comes back to the question about how familiar people are with the market. I know a lot of people that when the crash happened just sold everything that they had and many of them still haven't gotten back into the market. Selling was wrong. And not getting back in they've missed some serious returns over the last 5 years.

INTERVIEWER: So what would be your advice to individuals who have started hoarding cash, or keeping it in savings. There's quite of bit of research on millennials that, having seen their parents go through this, are very averse to investing in stocks even though historically the returns clearly show that you're better off being in the market?

BARRY: I think a lot of it comes down to a psychological issue. When the market crashed to the levels of 08-09, I'd be lying if I said I wasn't concerned because a big chunk of my net worth disappear over the course of five-six months. But having said that, we hung in and didn't sell anything. Goes back to the point that most people I think do need professional financial advice.

Both in terms of people more up to speed with what's going in markets than they are, not just stocks but also bond markets and keeping a balanced portfolio where you're not 100% into stocks, or 100% into one stock. You have combination of highly liquid GIC, bond portfolio, stocks all balanced based on your age risk thresholds and comfort level. I can think of one couple we know that had virtually everything they had in Nortel stock. You know, that's foolish. But during the times they were making lots of money they laughed at any sort of advice that they were at risk. And when the thing crashed they both ended up working five years longer than they had planned to and still aren't as well off as they could have been.

INTERVIEWER: For that couple, or even for yourself when you witnessed the deterioration of net worth. Can you describe the mental concerns you had? The health issues?

BARRY: It was certainly a highly stressful time where you start re-examining all the calculation we'd made pre-retirement and we're thrown into doubt. Worse comes to worse, we still had our house and no mortgage, had pension incomes, so we could always get by and wouldn't be out on the street. Plans for grand trips, or this that and the other thing could always be cut back. We'd identified where we could cut back but we've always lived within our means and a lot of spending is highly discretionary. So it would be a change in lifestyle as opposed to hardship. A period of great stress and even lingering, even though it happened a long time ago, it's still in the back of my mind. It happened once it can happen again but no, no health issues or problems directly related to that.

INTERVIEWER: What are some of your top considerations for what you would associate with a successful middle class retirement?

BARRY: It's freedom to do the things that you enjoy doing. For us, we're members of a nice golf club, that's sort of number one. We don't have another property, we live in a lovely house in the centre of town as opposed to being cottagers or boaters. Number one for us is golf, being members of a golf club is paramount and that's not an inexpensive proposition. We both like travel and our goal has always been to spend three of the five winter months someplace where it isn't cold and we've been able to do that every year and plan to continue to do that. We've visited parts of the world that we've always wanted to see and still have a long list of all the places we want to go. Being able to do the things you want and when you want, and also help out your kids with house purchases and what have you. So those were our goals. But as a generality, if you can do the things that you've always wanted to do but were held back because of work commitments, and you can do it in a financially secure manner and stay healthy that that fulfills a happy retirement.

INTERVIEWER: Do you have any thoughts on recent StatsCan data showing 1/3 retirees in debt with amounts increasing?

BARRY: Other than newspaper headlines, of which I'm highly, I have low trust levels of what I read from the press because it's seldom well researched. So I've read those headlines but sometimes it's a little broad based. I carry some debt but it's strategic debt. It suits our lifestyle and our investing strategies so just the fact that I have debt isn't relevant. If I wanted to I could repay all of the debt tomorrow. I don't see anything wrong, even in retirement if say people want to go and buy a car and either lease it or take a bank loan out for a car and repay over 3-4 years, I don't see anything wrong with that. If you're going into debt, to me you choose to take on a debt you can handle, but if you're going into debt because your expenses exceed your revenues and your revenues aren't likely to increase of course that's a structural problem and that's not good but those articles never explore that side of it. Like I've said, there have been times in our retirement where we've taken on significant level of debt but it's either at margin or things we can control, it's not to cover a living expense.

INTERVIEWER: I'd like to just explore something you've raised about it being a structural problem. This is slightly different take than most people who've indicated that people put themselves in that vice or brought the problems on themselves. What exactly did you mean by structural problems?

BARRY: Well if you're retired, presumably on a fixed income and you have some investments that you rely on, whether you're drawing on RIFs or whatever you use in retirement, but if you're spending more than you have coming in or more than you can generate from your investment and pension incomes, and covering that shortfall of debt. To me that's a structural issue, you have to reduce your spending or there's nothing but a bad ending.

INTERVIEWER: So still very much the individual's responsibility and ownership to make those numbers work?

BARRY: Well yeah. Those responsibilities don't stop because you retire. When I look at my own kids or whatever, they are well employed, have incomes, mortgages, and car loans and all that just like most people do but their annual incomes exceeds their annual expenses so an annual basis rather than going into debt to cover structural expenses, it's debt that you can manage, not borrowing to cover a shortfall in earnings or income. People who live on credit cards, I mean I've seen people with literally a dozen or more credit cards with debt that just keeps piling up and they can make monthly payments. But one day they figure out that they're in way over their heads and do a consolidation loan and start the cycle all over again...that's a structural problem. You're spending more than you're earning. Whether you're fully employed and young, or a retiree, it doesn't matter. The responsibilities are the same regardless of your work status.

INTERVIEWER: Would you think that some of the issues have to do with overly optimistic future planning or poor planning?

BARRY: I think that a lot of it has to do with a lack of education or learning, in how to budget. I've seen that not just in individuals but with many, in some cases epically sized organizations who are poor at budgeting and forecasting cash flows and just knowing what you have to do to keep their heads above water. My kids would look at so and so driving that fancy new car or whatever, but maybe it's on a lease and just because he buys it and drives an expensive car doesn't mean he can afford it. He can maybe afford the monthly payments for some period of time but you know what, appearances aren't always what they seem to be.

INTERVIEWER: From your experience, when you think back to the various interest rates, I remember my parents with a 17% interest rate in the 80s and limited options. What do you think is worse, having limited or no access to credit or being able to draw on credit too easily.

BARRY: Both have their pitfalls. Certainly credit these days, not just these days, but the last 25 years has been way too easy to come by. I even think back to when my sons in university getting promotional materials from Visa or MasterCard offering them a credit card when they're still students with really no income of their own. But because they are in university with future earnings power they take the risk and start them off with a small credit limit hoping to get their loyalty later on in life when they're relatively wealthy. So I think credit is relatively easy to get today, whether it be for that kind of consumer debt or mortgages, etc... Yet on the other hand, if there's no access to credit, I'll go to the other extreme, my eldest son who does a lot of work in Africa. He's an economist looking at ways for organizations like the World Bank to better spend their money. One of the major obstacles in the research he publishes for development in African countries is the total lack of access to any source of capital. That's maybe not the kind of answer you were looking for, but which is worse. Both are extremes. In North America it's far too easy to get yourself into trouble with credit and in other countries the total lack of access is a huge impediment to development.

INTERVIEWER: In certain countries, I'm thinking Bangladesh in particular, with the micro-credit phenomena with group lending practices displacing lending away from the institution toward the peer group. Do you have any knowledge of this practice?

BARRY: (note to google work of son...economics professor at Columbia...just give away money...excluded for anonymity purposes.)

INTERVIEWER: Factoring in reasons for getting into debt problems, such as loss of employment, health issues, how do you view someone who is in financial distress?

BARRY: That would be too big of a generalization. My banking career was primarily on the corporate side so I don't have any retail or lending experience but the comparisons are sometimes similar. A lot of times people get into trouble because they are sometimes foolish. Sometimes they're foolish because they don't have the necessary understanding of credit, cash flows, earnings and all that kind of stuff. Sometimes, they just make bad choices. Same thing

can happen to corporations both big and small. I hesitate to generalize when I see someone in financial distress what do I think. I first thing when someone wants me to comment on it is I want to some investigations to find out how they got there. Was it a matter of being poorly educated when it comes to financial planning or was it just an attitude toward debt, lack of responsibility or maybe external factors like tragedy, crisis, or health related. Without knowing I can't just generalize what I think about someone in financial distress.

INTERVIEWER: With your experience on the corporate side of the banking world. Did you view any part of your role as educating your clients?

BARRY: Yes, definitely. If I take it back to the role that I had in brief. In the mid-80s, I was asked to put a small team together and look at the emerging technologies sector in Ottawa. My perspective, I hit the perfect wave and the perfect time. That grew in to a Canada-wide team of specialized commercial bankers who focussed solely on the technology, media telecommunications sector. Within that we had everything from companies, multi-billion dollar revenue companies to very early stage start-ups, you know three engineers from Nortel raised \$10 million dollars from a bunch of VC (venture capitalists) guys then build the next best wazoo and twelve months later they're gone and the money's gone, not criminally or anything of that nature, just unable to manage it and the expectations weren't met and they weren't able to conquer technologies challenges or what have you. Certainly in what we did, we fostered relationships with early stage companies with venture capital players to try and pick the future winners and to help those people try and be successful. In that regard, there was a fair bit of education and mentoring of our clients. It was a very unique type of role compared to most banking stuff for what most people perceive banking to be. So you have a portfolio from an early stage start up with nothing but (inaudible) capital and no revenues to just some great technology under development to literally some companies of \$10 billion plus in revenues and everything else in between. A lot of public companies, v.c. funded companies, lot of boot strap start-ups. There'd be no education required at the higher end. They'd have very capable CFOs and what have you, but certainly at the early stage start-ups there was a fair bit of education, here's how finance works, here's the role the bank can play, here's how we can help you with export financing.

INTERVIEWER: If you don't mind, I'd like to change tact for the next set up questions. Going back into your own history, can you recall the first time you took on debt and how that transpired?

BARRY: I guess like everyone else, car loans and that sort of thing. We were very fortunate in that, while the bank's operate differently today, in the early...well, trying to think, we got married in '72. So we got married, both born and bred Montrealers, 6 weeks after getting married the bank said congratulations, you got the promotion and your next job is in Renfrew, Ontario. Whooohoo. We moved to Renfrew and rented a house there for 16-18 months, and

transferred again. We started off in Quebec, and the Ottawa Valley was part of the Quebec district. While I was in Renfrew, they changed the barriers and now just based on geographics and now it was in Ontario district...One or two transfers later, we were sent to Belleville and were pregnant with our first child and it's time to buy a house. And at that time, on a bank initiated transfer as an employee at the level that I was at, if I bought a house that was no more expensive than 4x the mid-range of my salary level, the bank would provide a very significant chunk of mortgage financing at 0% for the first three years, 1% for the year 4, 2% for year 5 and 3% thereafter. Every time another bank initiated transfer came up they re-set that clock and those levels. What it enabled us to do at a fairly young age was to acquire real estate that would normally have been way beyond our means, and bear in mind once you get into I think, early 80s, I remember when prime rate was 18 and a quarter at its peak prime rate. Canada Savings Bonds were paying 11% and interest if you were an investor. That's hard to fathom right now. The result being by the time we were in our early 30s, we were able to live in a nice house and the interests costs of borrowing were a fraction of what the public was paying. I got transferred to Peterborough and I recall we bought a house that was somewhat more expensive than what we'd agreed we'd spend and we took out a bit of a second mortgage and I remember we were paying 0% to the bank on the first mortgage and the second mortgage was costing me 14 ³/₄ percent which was idiotic. Anyways, it all worked out. Those were the days where every 24 months if you weren't transferred you'd have to question how your career was going. Every time we got moved it was a bigger and nicer house, under the same formula you could buy a bigger house. Under that formula, which the bank no longer has by the way. To show how far things have come. You know that move from Belleville to Peterborough where they reset the clock and I could buy a house that cost no more than 4x my salary level and get virtually free interest financing for 5 years, the same time they would give you an allowance to replace drapes, carpets, give you moving allowances, people come in and pack up the house for you, unpack at the other end. You got travel allowances, they'd put you up in hotels. It was an extremely generous, it was very upsetting to the household, so it wasn't this great big free giveaway, every time we moved my wife had to find a new job. There were negatives to it as well but when I look back that mortgage practice they had in particular allowed us to acquire real estate and a much earlier age than most of our peers outside of the bank and at certainly far less cost. It some ways it comes back to your question about access to capital and low cost capital. It enabled us to become very productive and increase our personal worth at a rate that exceeded what the norm was. It also entailed a lot of family disruption. When I got transferred, I remember one of my son's saying, wow this is so cool, I'm only 7 years old and this is my fourth house in a fourth city. So that aspect is not easy so that's why the bank had these programs. It wasn't an incentive to move, it had to be a bank initiative transfer and not just you buying a house on your own but it was a way of compensating for some of the problems that arose as a result of those transfers.

INTERVIEWER: And out of curiosity, I'd assume that the current benefits are not as generous today?

BARRY: Well, the thing about moving every two years is long gone.

INTERVIEWER: Is the expectation of the bank still...

BARRY: No, nope. Back then it was a chain so if they moved me from Montreal to Renfrew, then the guy from Renfrew was going someplace. It was always a chain of 7 or 8 moves. Each of those people had the same opportunity of buying a house and getting the mortgage funding. And initially well that was tax free, there was no taxable benefit attached to that. That changed in subsequent years. Now, today, transfers other than at very senior management levels, because back then I was a pretty junior banker, today I'd bring in, if I saw someone in Toronto that I thought would be a great addition to the group I'd snag him and we'd bring him to Ottawa. There would be some financial compensation and moving allowance but it's now x% of your reporting salary, here's your cash and we're done. Go find your own house and financing. I think it just became way too expensive and the tax implications made managing it very complex.

INTERVIEWER: Was there a greater emphasis in the past on knowing the local market and doing more face to face transactions?

BARRY: I don't know how to answer that. In the early days when I was being transferred every couple of years from the bank's perspective that was just exposing employees like myself to different challenges and experiences in different communities. Managing a small group of people and a larger group of people you're dealing with farming communities to small and medium enterprises and now you're dealing with larger companies that puts you in a risk management position and you're no longer dealing with the public, you're an internal position adjudicating credit submissions from field branches. So I think it was more of a training base, developing people that have potential and exposing them to different things as opposed to how do we best serve the community. It was more internally focussed, how do we prepare people for senior management.

INTERVIEWER: Did your parents ever provide you with financial advice?

BARRY: Yup, yeah. I'm going to preface this by saying that my parents were not wealthy people. We always had nice homes, rental initially, but I remember them buying their first home in their 40s, in Montreal. They did that because my grandmother, father's mother helped them out with a little bit of money that enabled them to do this. We were lower middle class I would say. We always had clothing and food on the table and things like that but both parents worked and every penny they earned went towards keeping the household going. I have to give my dad credit, from the time I was a kid he would always say, "pay yourself first". If I got \$5, he'd say to take 10% of it or something like that and stick it away someplace and keep building it. Always pay yourself first, don't spend everything, always keep something in reserve. That's the essence of it, it was never anything more complex. My dad was a salesman, he wasn't a

financial guy or whatever but I always remember that comment, even as a young kid, pay yourself first.

INTERVIEWER: Would you be surprised to learn that of the interviews I've conducted so far that you would be very much in the minority for parents having given them advice?

BARRY: Yes and no I guess. I've seen far too many people with not a clue of how to manage their finances. I find it shocking. To me I fault partly the education system. Even in grade school there should be, that pay yourself first thing is very easy to understand. With my dad, the Montreal Savings and District Bank, they gave out these little piggy banks and you through your loose change in it but it was encouragement to save the money you got, not all of it, like everyone else I wasted some of it on candy or whatever, but I think some of that is lacking. Just like you can't count on your parents to teach you English, math and social sciences and all this sort of stuff, that's why you go to school, I think there's some responsibility on the part of schooling even at the grade school level to have an introduction to finance at the very simple level. Save some of your money, don't spend it all, rainy days do come along and reinforce that when you get to high school, so too much is left to chance.

INTERVIEWER: Did you in turn provide advice to your children?

BARRY: Yeah, I think I did. My economist son posted on his blog once that he remembered his dad having a t-sheet on the fridge. Not sure what your credit background is but the old t-sheet is the old debit, credit, asset type thing. So it just evolved. When the kids were young, like everyone else, they have an allowance but this back and forth of here's \$10 now you owe me \$3 because you borrowed that last week, so for simplicity we had a sheet on the fridge for each of the kids and rather than cash changing hands it was all done on the t-sheet and every once and a while they wanted to go out and buy something well dad, I'm \$50 good on the t-sheet, I want to go out and buy this for \$30 well here's the \$30 and I take it off the t-sheet. Always encouraging them to save, we always opened up bank accounts for them, so it wasn't, I wasn't doing it in a conscience sense like I want to teach them finance it just sort of evolved from the way we ran our household. I think we provided leadership and a good example in how we spent our money. We worked, no sorry we can't afford that or you want to buy that but sorry you can't afford that, how are you going to pay for that? Have them question themselves and just because you want something doesn't mean that you go out and buy it but I think that was just the culture in the family. My wife is a registered nurse, she's a brilliant nurse but her knowledge of finance notwithstanding 40+ years of marriage where every three months I'll sit down with her and go through here's where we are, and I always have to start in the same place. Ok, there's cash, there's bonds and there's equities, sort of the very broad thing. Notwithstanding great effort and educating it's just not something that comes to her naturally just like medical stuff doesn't come to me naturally. Which as a sidebar, is also why I have a financial advisor because if I get hit by a bus tomorrow this guy knows our entire financial life and I know that my wife won't be

suddenly stuck trying to figure out budgets. While I tried to include her in that process, not that she's not interested, it just doesn't resonate with her and she has trouble comprehending so she's happy to have me do that aspect of the family duties and has comfort in having our financial advisor and knowing that if something happened she could turn to him and she also has three boys who in one way or another are all involved in finance.

INTERVIEWER: As a final question, you had mentioned that it was important for you to support purchases of your children and to be a part of that as well, how do you view the role of family transfers or support, whether through co-signing loans, providing money, whether it be from yourself to your children in the reverse from your children to you? Where do you view that family obligation?

BARRY: I don't view it as an obligation for one. I think the obligation is to prepare your kids as best you can and provide guidance and a good example and some leadership as to how you run your own financial fiscal life. In our case, we're better off than most, the commitment we made to our kids was that you will graduate university debt-free, but while you're going to university, in the summers you will work. I don't care if you're a bus-boy at a restaurant or tossing pizza at a Pizza Hut or working at KFC as each of the boys did, you'll earn what you can in the summer months and you'll contribute that to your education, or to the annual costs. Once you get your driving license you're going to pay the annual cost of the incremental insurance because driving is a privilege, not a right, and that would all be handled through the t-sheet and other things. As long as you do that and contribute what you can, when you graduate university you'll be debt-free. If you want to go beyond that, that'll be on your own nickel. If we need to help out through loan guarantees or whatever we do that, in one case, our son in New York, did a master's at Harvard and a PhD at Berkeley. Those were, certainly the Harvard one, we had to step up on a fairly sizeable guarantee but at the end he covered all those expenses himself. We were able to do that, and we were quite happy to do that and with each of the kids we've been able to help them in a fairly substantive way with their initial home acquisitions. So they're better off from a housing point of view than they would have been on their own. We gave them a bit of leg up just like the bank gave me a bit of a leg up. But that's not an obligations, we're fortunate that we were able to do that.

INTERVIEWER: Would you constitute that being fortunate to do that as being something associated to a middle-class retirement?

BARRY: I don't think most people who would call themselves middle class would be able to do that, they'd like to do it. I think everybody would like to leave something to their kids when they go. Our view was that we'd rather see them enjoy some of the stuff, I mean we still want to leave them stuff when we go, but in the meantime as long as we're able, I'd rather give them some help that we can see them enjoy and see them prosper and get some enjoyment out of that in our lifetime. But we're, don't take this the wrong way, but I wouldn't call myself, we're not

middle class, we're better off than that. I don't know what'd call it or where I'd classify it. We're, I'm not going to say we're financial care free but we're close.

END Interview # 3

Interview # 4: Sam. Profession: Government worker

INTERVIEWER: Can you let me know how long you've been retired and has it so far met your expectations for retirement?

SAM: Well, yes and no. I retired in January of 2013. I retired a bit earlier than I had planned. Let's put it in this way, earlier than I had anticipated but later than I had planned depending on how you see it in that I had planned to go at 55. I stuck around a few more years. When I did retire I retired suddenly because I was working on getting an alternation and it took a considerable amount of effort to get that. It didn't look like I was ever going to get that and when it did it happened very suddenly. So I went in January, 2013 and so far being retired is pretty much what I expected it to be but with my wife still working it makes it difficult to pursue some of the retirement dreams I have.

INTERVIEWER: It's still pretty fresh for you then, does any part of you miss the 9-5 if that's what you were working? Have you ever considered going back for any kind of work?

SAM: Well, yes. I've considered it. The issue for me is that winters are not my season. My wife, oddly enough, was not encouraging when I said that I'd go down south and spend the winter without her. She thought I might get lonely. I was made to feel guilty enough that I didn't go which resulted in me being here for the worst winter we've had in years. Anyways, for me in order to get out of the house I actually took a job. So I do a part-time job a couple times a week. It's not very lucrative but after the fun wore off it's now just a job like any other. If I was going to continue to work part-time I would maybe look into getting something more lucrative.

INTERVIEWER: Was the main driver for your taking that job? Sanity break?

SAM: Mostly driven by the need to get out of the house during the winter and to have some social contact with people other than family members. It's a good job in that aspect. I'm actually driving a shuttle van for high end car dealer in town. So I meet a lot of interesting people from various walks of life but more of the hoighty toighty types I wouldn't normally deal with I guess.

INTERVIEWER: From your perspective, leading up to your retirement, how much of a concern was it for you to be able to maintain your pre-retirement lifestyle?

SAM: I mean, you know, finances are always somewhat of a concern. I had the good fortune of having a good paying job for 33 years and my wife's had one for even longer really. We've always lived somewhat frugally so we've managed to accumulate a fair amount of assets. I'm not real concerned about finances. I also have the government pension which is a good pension plan. We worked a lot of years for no raises and less money than I would have made in the private sector had there been any jobs to be had, but there weren't. I knew my government pension would be decent. I don't have any worries about finances.

INTERVIEWER: StatsCan indicated that one in three retirees were carrying debt loads into retirement...some up to \$100,000 in debt with those with high levels often tied to credit card debt and not to productive debt like let's say mortgages. Does that surprise you in any way?

SAM: Well no. I know some of my colleagues in the same age bracket as I am who still at this point in their lives are living pretty close to paycheck to paycheck. It's not because they don't make a good amount of money it's that they spend every cent that they can get their hands on. They are very consumer driven a lot of the people that I grew up with. Some of the ones that had better jobs and better incomes, and a bit more self-restraint are in better positions but I would say that most of the kids that I hung around with in high school, I'd be in the top 10 percent as far as accumulated wealth would go I guess.

INTERVIEWER: When you mention the consumer driven aspect of your network, do you think there are any significant differences between individuals of retirement age versus younger generations?

SAM: I'm not really familiar with what the younger generation's aspirations are or how they go about their daily lives but I do have two daughters who are employed. They are working towards whatever their financial goals are I guess. I guess here in a place like Ottawa where real estate prices are high, or Vancouver, Toronto or any of the major cities, I would imagine you'd find the same issues. Housing has become very much a dream for people without high incomes or who haven't hit their strides yet. Getting into the housing market in a place like Ottawa is a lot more difficult than say a place like Sarnia or one of the small southern Ontario type towns where the population is really declining where the price of houses is either steady or falling. From what I read and what I see, a lot of the people in their late 20s and early 30s are having trouble getting established. A lot of the jobs that are available seem to be part-time jobs. A lot of the employers seem to be offering nothing but the low-end stuff. To get into the high end stuff someone has to be very lucky to land a lucrative job I guess.

INTERVIEWER: Do you find that's any different from when you yourself were hunting a job in your twenties?

SAM: Well, no. I took a large number of jobs. I worked in all kinds of things that I wasn't happy to do but I took any job that provided a paycheck because I had a desire to have money for my things. My parents were not in a position fund my lifestyle, they could barely afford their own. Whereas kids like my kids are starting off life in a fairly good position because my wife and I were able to pay for their education, etc... They're fortunate, there's a lot of people their age who probably didn't have that advantage.

INTERVIEWER: The choice to pay for their education, did you view that as an obligation from parent to child as opposed to having the child work for the funds or take on debt?

SAM: Yeah, I guess the driver for that was that when I was in that situation in that age group that my dad wasn't financially able to provide me with any funds to go to school so I had to take on debt to go to school. I just didn't want the kids to have to do that. I wanted them to be able to start their lives with a clean slate. It was also because we could afford it. I didn't make any real sacrifices to be able to afford it. Like I said, we had two good incomes for a long time so it wasn't a big deal.

INTERVIEWER: Was your student debt the first significant debt that you recall taking?

SAM: Yes, I guess it was. I had Ontario Student Loans. I took a year off in-between two years of college. I didn't really go to school for long. Nonetheless I did accumulate some debt that I had to pay back, eventually. (laughs)

INTERVIEWER: No regrets about taking on that debt?

SAM: No, not really. I wish I would have pursued my academic career a little harder or whatever but I wasn't really sure what I wanted to do with myself and was floating around a little more with the tides. I really didn't have a clear direction as to what I wanted to be when I grow up and still don't.

INTERVIEWER: Taking on that debt, did it have any implications for you socially or mentally?

SAM: Well, only in the sense that my father had disappointed me. He had retired from the service and purchased a small variety gas bar / hotel and I worked for him for no wages for the summer. He was going to pay for my education, room and board and he didn't. So taking on the debt after having done that was disappointing. That's just the way it was. There was no alternative. You either took on the debt or opted not to go to school.

INTERVIEWER: Did you have any friends who opted not to take on that debt and not to go to school?

SAM: Most of the people I knew didn't go to school. A few of them did, a few of them went for a year or two. I think our generation was a little bit unsure about what we wanted to do. It took

us some time to find our feet and get direction for what we wanted to go in. A lot of my friends had wealthier parents so they were able to land better summer jobs and part-time jobs because their parents had ins to various plants or businesses whereas my father, who was kind of transient in the air force, really only had that and his own little business. I never had anyone push open any doors for me to get me some position where I could earn more money or whatever. I worked, my friends and I, we took on jobs washing windows and painting houses and doing whatever we could to earn a buck basically.

INTERVIEWER: Did your parents ever give you any advice on financial matters when you were still at home?

SAM: No.

INTERVIEWER: And how about yourself for toward your children?

SAM: Yes, somewhat. I think I tried to give them a sense for how money needs to be handled. I might have failed on that issue because they're a little bit tighter than I think they should be with their money.

INTERVIEWER: If you had to choose, would you prefer them being tighter or looser with their money?

SAM: I think tighter is probably better than being too loose with their money. You need to have balance is my credo. You need balance in your spending, balance in your debt, in your want and desires, etc... If you find your balance you can buy a house you can afford and when the dust settles (interruption)...I guess they learned to hold onto a buck and squeeze as tight as they could I guess (laughs).

INTERVIEWER: Your personal circumstances aside, in all the interviews conducted, I've only had one instance where parents provided the interviewees with financial advice whereas every single parent has provided financial advice to their children. Do you think there's any rationale behind that shift?

SAM: I think that, first of all, our society has changed considerably over the last several years. I think back to my parents parents, they didn't have a pot to pee in and they came out of the depression. My parents had to work to provide for their family as well to purchase things they wanted for themselves. My parents got married young, I don't think they got a lot of direction from their parents. They just managed to find their way and gave the best advice they were able to give at the time. Whereas I think my generation had a bit more chance to be reflecting on things. We had the luxury of having better circumstances, better education, and access to more information. We're able to prioritize some things I think. I've had the advantage of seeing my sister for example. She chose to go a certain direction where she's now three years older than I

am and she's got nothing, no pot to pee in. I think that certainly for me that was a bit of a motivator to look at how I got and handled money. I've always tried to have that balance and tried to impart that to my children that balance is important. You don't want to get indebted to the point of being stressed and frustrated and you don't want to be sitting on a mountain of cash either because what's the point really.

INTERVIEWER: What would your take be on having to co-sign loans for dependents?

SAM: Well, I did that for my sibling and her children. I've loaned money to various family members. I'm not really keen on it. I co-signed a loan for my nephew for example. He swore up and down that he would take care of it. I think he made two or three payments and defaulted on the loan. So his father who couldn't afford it had to take over the item and had to pay the rest which was a shame. A lesson for the kid I suppose.

INTERVIEWER: What was the lesson?

SAM: I think that he was very embarrassed. He had assured me that he would be able to handle the debt and didn't and caused his father a lot of grief and heartache and put his father on a risky plane to take over that debt. I think the kids learned from that that if he was going to want things that he had better learn to buy them on his own. He's never ever asked again for that kind of favour.

INTERVIEWER: Are situations like that discussed after the fact? Can you sit back after 10 years and chat with your nephew about it?

SAM: We could. We have the relationship now that we could. I don't think that we've ever really done it. After struggling for a number of years that kid went on to start his own business and he's a hard working kid whose business is flourishing. What he learned from his life experiences put him in a good position so that now when he's running a business he knows not to take on more debt than he can handle. When he had the opportunity a couple of years ago to expand his business but would have had to take on a fair amount of debt to do that, he chose to stay small because he felt he had better control and sufficient income to provide for his family, things that they needed and wanted.

INTERVIEWER: Put in the same situation again would you still co-sign loans?

SAM: No. I don't lend money. I'm adverse to lending money or co-signing loans.

INTERVIEWER: Is it just the financial risk that's troublesome to you?

SAM: No, it's not the financial risk at all. It's the emotional roller coaster ride. I don't want to go through that again. It caused a lot of hard feelings. It took something out of me.

INTERVIEWER: You as the provider of the loan, was any blame laid at your feet for the situation?

SAM: Well...(pause), I don't know that I was held to blame for co-signing the loan for my nephew. Lending money to my sibling, the only thing that was troubling was that basically I was the last to be paid. She was buying things that I was choosing not to buy and wait until I can afford, and not paying me back. So that's the kind of thing that bugs me. I think it's not respectful to borrow money from somebody and not pay the money back on time.

INTERVIEWER: Do you have the same view that it's not respectful to pay back the money to a relative as opposed to say the big banks?

SAM: When you take on debt you're obligated to pay it back. The only debt that I was reticent not to pay back was my student loan and that was just because of the timing of the thing I guess. There was no hurry to pay it back and the government didn't seem to mind, so I didn't rush to pay that one back but it eventually got paid back. Having that debt actually helped me to establish a credit rating that enabled me to get the first loan that I needed to purchase a home.

INTERVIEWER: In the years leading up to your retirement, you would have been reading the news on the financial markets fairly intently I assume. Did you partake in financial markets by buying stocks either yourself or through financial advisors?

SAM: Yeah, I have a financial advisor who works for the bank that I deal with. I've had a financial advisor for a long time. My initial financial advisor was in the town that I came from before I moved here and she basically helped me to figure out what to do when we were investing in RRSPs. I continued to buy RRSPs and other financial things to do for tax over the number of years.

INTERVIEWER: What's your level of comfort or faith in the stock market?

SAM: I never invested in the stock market directly. I was only involved in mutual funds or those kinds of instruments. I find that I'm fairly risk averse when it comes to that sort of thing. I am willing to take on some financial risk to get some gain. Right now the interest rates on GICs are pathetic but I'm not in deep to any of the risky stuff. I try to stay balanced with bonds and dividends and that kind of stuff. I really honestly don't understand how some of this stuff works. I'm not a highly educated person, I spend more time reading auto trader than financial magazines. I've gone to retirement seminars and RRSP seminars, but most of the time I think those things are of limited usefulness. I'm just lucky I guess that I've been able to put my money in these instruments and not lose too much. Though we did lose some money during the high tech meltdown in 2006 was it. And then another one came in 2008, so basically one of the things I went to one time, he said, you can get 10 percent return after 7 years or vice versa. Anyways, I'm still waiting after 30 some odd years to see my money double. Anyways, because we've

always had a dual income, I've always sought out tax relief and bought RRSPs for my wife, starting out with those for her, none for me. Figuring that would be a good way of hiding money and have it handy if I had to infer some debt if she was off having a baby or whatever and we just kept putting money in them.

INTERVIEWER: For people who do experience indebtedness to the point of filing for bankruptcy or receiving calls from creditors, do you think it's linked more to overly optimistic planning or poor planning?

SAM: Well I don't know. Sometimes I think it's just a matter of circumstance and bad luck, bad timing and so on. My brother-in-law, he went bankrupt. My nephew who borrowed money from me, he went bankrupt. So I know some people who have gone bankrupt. In some cases I would say that it was, maybe not poor planning, but a lack of understanding about the volatility of markets. You know my brother-in-law, he owned a cabinet factory, made custom made cabinets. He had no alternative product line so when the economy was tanking in the early 80s, people weren't buying custom kitchen cabinets, they were holding onto their cash. So he had taken on a factory as part of the deal. He and another partner took on the debt-load of the factory and they kept the doors open. He was able to keep it open for a long time but his rent kept going up, his costs kept up, his income was shrinking because the product was labor intensive to make and he was competing against a company that was able to produce cheaper but still good looking cabinetry which you know in times of hardship people would rather have that than pay the extra dough. Because he had no back-up plan, he ended losing the business and everything that he owned. My nephew, in his case, he went bankrupt because he got himself into, anyways, I'm not sure about all the circumstances of that particular fiasco but it was definitely poor planning that led to that. I think personal bankruptcies are usually the result of people living beyond their means and bankruptcies of companies sometimes that happens as well as companies over reach, expand to fast or their product gets watered down because of the expanded demand for the product. They try to crank out more and they're not producing as well. And sometimes poor planning as well. You don't make promises that you can't keep, promises where you can't deliver and you don't have a product that nobody wants to buy.

INTERVIEWER: What situation do you feel is more dangerous, access to no credit or access to easy credit?

SAM: If you don't have any financial training and don't know the value of a dollar to repay a loan etc. then having easy credit can lead to disaster. If you don't know, if you're a kid, fresh week now at universities, the credit card companies set up and they are giving out credit cards and condoms and whatever so kids are signing up for cards. They have no idea what the impact of buying pizzas on your credit card is going to be if you don't pay it back on time. Its things like that that can get you into trouble. On the other hand, having no credit can be a pain as well.

For my brother-in-law, he couldn't get any credit so I had to co-sign for him for some loans and that was very humiliating for him to even have to ask.

INTERVIEWER: There's a rich history re: debt and public shaming where in the past there were signs put out in front of debtor's doors, people brought to village square, prisons, branding... You mention the humiliation that was felt in asking for the co-signed loan, do you feel the current set-up is fair?

SAM: In my opinion anyways, if it's their first offence and they've gotten themselves in financial difficulty and they are willing to work...if there's a chance to consolidate their loans and keep them productive then that's a good thing. But if we bend over too far and let people run up too much debt and shrug their shoulders and say, oh well, and have no real consequences from it and declare bankruptcy and then change your middle name or something and all of a sudden you've got five more credit cards and doing it again then that to me deserves more stringent and punitive punishment.

INTERVIEWER: So circumstances matter? First-timers, single-mothers, versus running debt up for sound systems...

SAM: Well sure. The circumstances matter no matter what the story. There's always some background material that would help a jury makes its decision. Whether or not this would be a jury of its peers or jury of financial experts or whatever that would say, here's what you did, here's what was wrong, here's how you can correct it in the future...do you agree? Are you willing to make an effort for restitution and lalala. Just because they can't pay the debt back at that particular point in time doesn't mean that in five, ten years down the road and they're making so money that they shouldn't have to pay something back. I don't know. I'm not real forgiving of people who do it purposefully, let me put it that way.

INTERVIEWER: When you consider, let's say, middle class retirement, what would that consist of?

SAM: I think that a middle class retirement would enable the retiree to have the sufficient funds to do a couple of trips, travelling to see things, have a roof over their head, food in their belly, gas for their car, insurance and taxes paid. A reliable automobile...you know, the usual comforts, heat, hydro, water, gas.

INTERVIEWER: Would your views of retirement shift for lower class retirement?

SAM: No, I mean lower class retirement in my mind would mean fewer trips, less travel, maybe an older car, not as reliable. Maybe not as much extra cash to spend on frivolity but enough cash to get by and be comfortable. You don't theoretically need a lot if your home is paid for, your vehicles are paid for, etc... This is the active point of retirement I'm talking about here. Once

you get to the point where you need care, then there's another story. Our society has a real screwed up way of dealing with aging. Currently, the way things are going I don't know if retirement homes or nursing care will be available or affordable for my generation which is the tail end of the baby boomers. Boomers are all going to start sucking up everything to do with again and I'm afraid that's going to result in increased pressures and pricing and so on. I know that my wife's biggest fear is that she will run out of money before she kicks the bucket but me I don't worry about that because you know, I figure if I ever get to the point where I don't have any money that I'll go on welfare or the state will take care of me. Maybe they'll put me out on a nice ice flow like the eskimos used to do. Whatever. When you get to a certain age it really doesn't matter. I visit my aunt who's 94 in the nursing home there and the hallways are full of people drooling and shitting their drawers so you know, I'm not quite sure how that qualifies for value of life.

INTERVIEWER: Does that mentality play into your views on not sitting on a mountain of gold and not penny pinching either?

SAM: Yeah, I think that to a certain degree that's a fact. You get to a certain point in your life, at least me in my middle class life where I'm comfortable. I've been comfortable for quite a few years and I have plenty of money. I could go and buy anything my heart desires I suppose, within reason, and still have money left. I don't need a \$100,000 car or \$300,000 cottage. I don't need any of that crap really. I'm really quite happy to drive a \$20,000 car or a \$5,000 car if it came to that. My house is my house. It's paid for, well maintained and what not. Until they lead me out of here, or take me out in a box, I guess this is where I'll stay.

END Interview # 4

Interview # 5: John. Profession: accountant

INTERVIEWER: Can you let me know how long you've been retired and what your feelings have been in retirement? Is it everything that you had expected?

JOHN: Yes, I've been retired for four years now and it's everything that I expected.

INTERVIEWER: Did you have any preconceptions about retirement?

JOHN: My preconceptions were that I would be able to indulge in personal interest items. I'm more physical than cerebral so I like to get out there, golf maybe 3-4 times a week, tennis, bicycle. I'm out there doing runs of 6-8 kms a few times a week so very active. Love it. Doing

a lot of travelling in the off-season, meaning not our summer, that was one of the things that I had wanted to do.

INTERVIEWER: For the few years or months leading up to retirement, how much of a concern was it for you to be able to maintain your lifestyle?

JOHN: Zero.

INTERVIEWER: So you had the confidence both from a financial and social perspective?

JOHN: Yes.

INTERVIEWER: In preparation for your retirement were you offered any courses through work or reach out to any financial advisors?

JOHN: I did take courses through my employment. Both my wife and I did that. I'm my own financial advisor, I'm an accountant by profession and have a pretty good handle on numbers.

INTERVIEWER: With your handle on numbers how confident were you, and did you dabble yourself, in the stock market?

JOHN: I used to use the stock market before I retired. But when I was starting to transition into retirement I downsized my house, basically sold it and moved all of my money out of the market into guaranteed investments.

INTERVIEWER: Was it because you wanted to avoid any undue risk?

JOHN: Absolutely. And I thank the Lord that I did. The year that I did it was the year the stock market crashed and I was totally insulated from all the crap that happened.

INTERVIEWER: Was that pre-planned or luck of the draw?

JOHN: That was my plan.

INTERVIEWER: When you were engaged in the stock market what was your level of confidence in your ability to monitor your stocks and actively do the research to have a good sense if your stocks should perform?

JOHN: I had a pretty good sense of that in that I managed my own investment accounts and didn't have an advisor. So, because it was my money on the line I made sure that I paid attention pretty closely to what I was investing in.

INTERVIEWER: Were you ever tempted to go back to work?

JOHN: No. A lot of my friends retired and went back to work for various amounts of time and of course, they were making big bucks. The idea of making significant money above and beyond my pension was an interesting concept but I never entertained it seriously enough (laughing) to move on it.

INTERVIEWER: In relation to your friends, if money was the driving factor, was it concern over retirement funds or just wanting an additional nest egg?

JOHN: It was just the idea that they could make big money. Any of my friends who went back to work absolutely did not need the money.

INTERVIEWER: Nothing to do with missing the social interactions? Did they potentially have lot of people taking direction from them?

JOHN: Having said that, I do believe that they love the gratification that came from consulting. Most of the people I'm talking about here are professionals who went back in a consulting capacity. They liked the idea of having an influence on things and not having to get bogged with the politics. They were learning different aspects of the work world that they had never explored before.

INTERVIEWER: I spoke with a trustee earlier as part of this, and one thing that was raised was a retired individual's ability to learn new tricks, to take on new work obligations. Among your cohort of friends or yourself were there any instances of someone taking a different tact before and/or after retirement?

JOHN: Yeah, one of my friends found himself being offered contracts in areas that he knew nothing about but being a professional he would know what kind of job he was being interviewed for, do some research and basically impress the people, then all of sudden he had employment in an area that he had absolutely no professional background in.

INTERVIEWER: So from your friend's experience you wouldn't gauge age as a factor in limiting job potential?

JOHN: In fact I'd say that work provided them with an advantage. Again, I'm talking about professionals with years of engineering or accounting backgrounds. People were looking for people who could think on their feet and take on tasks that needed to be done and they would gravitate to people like them.

INTERVIEWER: There are a few recent studies that indicate a high prevalence of retirees taking mortgage debt and credit card debt into retirement. Was that ever something that impacted you or your friends? Statistics indicate one in three of retirees carrying debt some form of debt with small percentage carrying significant amounts of debt over \$100,000?

JOHN: Yeah, I'm probably an exception to the rule. Me and my friends have been debt-free for a long time and we don't have any debts.

INTERVIEWER: Do you recall the first time that you yourself went into debt?

JOHN: Yes, the first time I went into debt was for my first house.

INTERVIEWER: Do you recall at all the first exchange with the banker?

JOHN: To some extent, yes.

INTERVIEWER: Did it leave any stark or strong memories?

JOHN: No. You have to understand when I bought my first house I was 25 years old with a significant down payment. The outstanding mortgage was \$50,000 and with the employment background I had the bank knew that I could easily manage that debt.

INTERVIEWER: Did you receive any financial advice your parents, uncles, siblings?

JOHN: None.

INTERVIEWER: That's something that's been consistent throughout these interviews. Do you have any sense as to why this might have been?

JOHN: In my case, my father died when I was 13 years old so I didn't have a father figure as I was growing into adulthood. My mother didn't have a huge amount of money to support herself. We never went for want of anything but we never had a lot of money. One of the influences in my life having grown up in that kind of environment was that I was very focussed on saving and not overspending. Basically not spending what I didn't have.

INTERVIEWER: As a result of your life experiences not through any direct advice?

JOHN: Right.

INTERVIEWER: When you were making those savings decisions, when did you start trying to develop some financial acumen and prowess?

JOHN: I went through a business administration program and became a professional accountant at 25. From that background I was entrenched in financial aspects since I was student so that was engrained in me along with the savings philosophy that I had grown up with in my childhood. Then my first focus for the first part of my adult life was to pay of my debt which was my mortgage. Once that was done and excess money was available, well, wait, let me back up. I bought my first house five years later two years after I was married. After five years, we bought an upgraded house and sold our first house so I continued to carry about a \$60,000 debt

then. Within another five years we had that paid off. So by the time I was basically 35 years old I had a house that was worth \$180,000 and was debt free.

INTERVIEWER: In the reverse role between you and your children, did you provide any financial advice?

JOHN: Absolutely.

INTERVIEWER: About what age?

JOHN: I started when they were children, introducing them to the allowance concept. That continued on and if they wanted things I would always entice them in terms of supporting their purchases. If they wanted something, I would contribute to the purchase but they had to contribute to the purchase as well. My kids were also expected to pay for their own university through part-time jobs and I expected them, strongly encouraged them, to start working at 16 years old.

INTERVIEWER: For their university, given your dealings and your household being mortgage free, I'm assuming that you had capacity to finance university?

JOHN: Absolutely.

INTERVIEWER: How would you describe what you wanted them to learn? How to be adults? Align their priorities in a way that you were comfortable with?

JOHN: Yes, both of those. And the value of an education. There's a cost associated with that education. So discipline in terms of managing money by having to save for education before they went to university and during university they continued to work so they were there gaining financial independence and gaining some sort of financial acumen as well since they had to manage their money.

INTERVIEWER: How important to you is that financial independence? I'm thinking of that feeling you may have had when the mortgage was paid off?

JOHN: Very high...very high. I never liked the debt.

INTERVIEWER: Was it something that was on your mind?

JOHN: When I was younger I was a single wage earner in a family of four. It was always a concern to me having debt hanging over my head and job security is not something that you can count on. With that in mind I was focussed on getting as much security for myself as possible and one of the ways to do that was to become debt-free as quickly as possible.

INTERVIEWER: In your experience, how hard do you believe it is for people to access credit, and as a follow up, what is worse in your opinion, access to too much credit or no access whatsoever?

JOHN: I think that credit is relatively easy to get and I believe that it would be better to restrict access to credit than to provide the level and ease of getting credit today.

INTERVIEWER: If you were to close your eyes and imagine a bankrupt individual right now, what comes to mind, what kind of thoughts cross your mind as to the individual?

JOHN: Without knowing the individual I would say that I feel sorry for them. Sorry for them because when I was in my young adulthood I was always afraid that something would happen so I would lose my job. With the burden of debt it is so easy to fall into bankruptcy. I could sort of relate to having a little bit of bad luck. In many cases, through no fault of your own, having to declare bankruptcy. Having said that, my second thought would be, have the brought in on themselves. But my first reaction would be in today's economy that it wasn't brought upon themselves and they are just a victim of circumstances.

INTERVIEWER: For the victims of circumstance and others who may have brought it upon themselves, do you feel the bankruptcy procedures or laws are too lenient or strict?

JOHN: I don't know how to answer that question. In some respects, I know people who have been downsized. A lot of people in fact. It had devastating effect on them. A number of these individuals had many mental issues that were triggered by this and some of them never got over it.

INTERVIEWER: Mental issues triggered by the financial dilemmas?

JOHN: Triggered by losing their job and not being able to find another. And of course without a job, finances dry up and it's a spiral down. They lose their assets, their standing in society. These are people who were confident and outgoing and they turned into introverts and basically lost all self-confidence and never recovered.

INTERVIEWER: Does any of that relate back to your desire for your children to be financially independent?

JOHN: I think, partly, because these situations happened early on in my career. And these individuals were older but not ready for retirement and they never recovered and it has an impact. Having said that, now I worked for Bell Canada for a number of years and for the last 15 years Bell had continuous downsizing scenarios that they went through. And each time that a downsizing exercise happened everyone was on edge because you never knew who was going to get hit. I've been through, I would say, eight or ten of these and when you're hit it's devastating.

I've never been in that situation, I was very lucky, but I knew a lot of good friends who were shocked and devastated.

INTERVIEWER: Something you've raised there that very interesting to me is that in your experience the uncertainty of a paycheck led to, or contributed to tighter fiscal management.

JOHN: Absolutely.

INTERVIEWER: When those downsizing events were occurring, did you have a sense that you were better prepared than others?

JOHN: When downsizing exercises happen like that and you have kids and a mortgage it's a risky scenario. You don't want to subject your kids to restrictions and not give them the type of things that they would like or need and expect or have grown up getting used to. For me, it was a very very very conscious thing. It drove me even more to pay down my debt. I was under the thought that it was just a matter of time before I would get my shoulder tapped. Even from the first couple of exercises I was focused on eliminating debt and make sure that my skills were as up to as possible so that I'd be able to move on to something else.

INTERVIEWER: When we reference the ability to maintain children's lifestyles, within your circle of friends, were there any obligations of taking care of your own parents being caught in the sandwich of longer lifespans and taking care of your own children?

JOHN: Nope, not at that time.

INTERVIEWER: And for now, your current circle of friends, no parents living with their children?

JOHN: No, that hasn't happened with anyone I know.

INTERVIEWER: Has there been a prevalence of co-signing loans?

JOHN: Yes.

INTERVIEWER: If you've gone through it, or your friends, what were the feelings associated with having to do that?

JOHN: Yes, there are feelings of concern. This get into another aspect where people of my generation were more financially responsible and more focused on financial matters whereas of number of my friends' children don't have that focus. Their priorities don't lie in terms of financial security. They're more focused on spending what they have and enjoying themselves. Friends of mine find their kids wanting something and of course the kids have no means of buying it, whether it's co-signing for apartment or mortgage there's always concern because they

are not 100% confident their children can meet the commitments. Parents are always in a state where they want to help their kids as much as possible and are willing to take on that risk.

INTERVIEWER: What are your views on the obligations of the parents to support this? I know your views on university, but what about financial troubles, hardship through no fault of their own.

JOHN: I think obligation is not the word I would use. As parents you always want the best for your kids. If you're able to help them out because of your financial situation your tendency will be to help them out as much as possible. But, when it comes to who's obligation, I know we're not obligated but we want the best for our kids.

INTERVIEWER: Do you think that's a government responsibility or the individual in question?

JOHN: The individual.

INTERVIEWER: What about the role of government for providing financial education, or limiting interest charges? Do they need to get more involved or are the rules clear enough?

JOHN: I'm of the opinion that government should stick to what government should be doing and focusing on areas of common good but not delving into things that should be dealt with by the individual. I guess what I'm saying is that each individual has to take on a level of responsibility for their financial affairs and their financial intelligence. You can't really expect somebody else should be out there making sure that you have the background and information you need.

INTERVIEWER: For individuals who do get into difficulties, let's say with steady employment, would you say there's a lack of planning or overly optimistic planning?

JOHN: I would say it's a lack of planning as younger people today, and I'm stereotyping here, spend everything they get. One of the opinions I have, in a lot of cases people of my generation have been very successful, and lucky as well. We gave a lot to our children and in some situations the children expect that they will be able to maintain that lifestyle without having to work for that lifestyle. They feel it's expected and in those situations they tend to spend to maintain a lifestyle they became accustomed to as children that they really can't afford.

INTERVIEWER: Within your circle of friends, what would be your views on parents asking children for support?

JOHN: I'm not a fan of that. Only because I feel that I'm responsible for my own self. If I need money that's the trigger for me to get out and work if I can. My thought there is that there's always something that I can do even if that's going to Walmart and being a greeter, or going to McDonalds, Home Hardware, something like that, there are ways of picking up money. I

wouldn't expect my children to support me financially and I would do everything in my power not to fall into that situation.

INTERVIEWER: Do you have any recollections yourself of your mother, or younger days, of first experiences with credit cards or installment?

JOHN: I remember my first credit card, I remember my kids getting their first credit cards. I would drill into my kids that it was absolutely imperative that they pay off their credit card when it became due. If for whatever reason they did not I would come down on them very hard.

INTERVIEWER: How did you feel yourself using the credit card the first few times?

JOHN: I felt fine because again, it was after I graduated and I had the background to understand how interest worked and there was absolutely no way I was going to pay interest on those credit cards. The credit card was simply a convenience for buying things that I knew I had the money to pay for.

INTERVIEWER: Have you ever known anyone to ever get into financial problems?

JOHN: Yes.

INTERVIEWER: How would you describe the individual when they went through it from a physical and mental perspective? And how easy was it for you to even know that the individual was having issues?

JOHN: (long pause)...Sometimes I couldn't even understand it. These people are professional but they had a different philosophy on life. I want now, everything. I will pay for it tomorrow. At the same time, these people had significant cash flow. But even having said that, they drove themselves into debt. I'm talking professional people here. I would go out to dinner with these individuals and they would pull out a credit card and it would be refused, and they'd pull out another, and a third one, and then it would be accepted. I just shook my head.

INTERVIEWER: And when you witnessed this, were the people comfortable with this? Was there a smile?

JOHN: They were totally fine. The first time it happened we had a conversation where I'd ask them what's going on. These individuals had post-graduate degrees. One was a lawyer, one a professional accountant, and they said we've been in school so long that we feel now is the time to be living the good life and we want it now rather than saving for it and waiting for five years. So they were mortgaging themselves to the hilt to have everything now as opposed to saving for it. It was a totally different mindset, I couldn't understand it.

INTERVIEWER: And these were your peers, your generation?

JOHN: Now these are two individuals. Yes, my generation. Most of the people though I associate with were not in this scenario, most I have as friends were more financially conservative.

INTERVIEWER: Have you ever read Margaret Atwood? She had a book titled, Payback, that was heavily influenced by debt. She depicted debt as that never ending treadmill. There's other accounts of debt being viewed as water, vital for life. If someone asked you to describe debt, what side of the fence are you on?

JOHN: I would say the latter. I've taken advantage of it, mostly through mortgages, and I've seen how my capital has appreciated. It was a very big benefit to me but only to take on the debt that I could manage.

INTERVIEWER: Right now, if you're advising me, I'm under financial duress, credit card payments, you name it, what would you tell me?

JOHN: See a financial planner.

INTERVIEWER: Any sympathy for me?

JOHN: (long pause)...yes, but, I would also...I'm torn on this one. I always have sympathy for people who are struggling but at the same time I don't have a lot of sympathy for people who put themselves in a situation like that based on their own making. I don't know if you've ever watched this program, 'Til Debt do us Part', that image is pretty clear in my mind. If people have driven themselves into credit card debt and other kinds of debt is it really because they are part of this new generation that spend and spend and spend and feel they'll deal with the debt later, I don't have much sympathy for those people. If, though, it's not based on your own making because you've had bad luck, losing your job or whatever, then that's different. But credit card debt just makes me cringe.

INTERVIEWER: Despite the jobs industry and the jobs that result because of it?

JOHN: I don't look at it that way, these guys are crooks are they're ripping you off. Twenty-one percent interest? Don't go there. You're your own worst enemy.

END Interview # 5.

Interview # 6: Curt. Profession: insurance / policy advisor

INTERVIEWER: As you know I am looking into people's experiences with debt, and one thing I like to ask every participant is about their recollection of the first time they used debt for a purchase.

CURT: The first debt I ever did, was I borrowed a \$1,000 from the Bank of Montreal, downtown, the one that used to be, what's the name of that building, where Treasury Board was on Elgin. Anyways, I borrowed \$1,000 because I was moving out west to join the Saskatchewan Department of Health and I knew that I would have to buy a car. So I went into the bank, and they lent it to me, but they would only lend it to me if my father was the co-signor, was my guarantor, which he very reluctantly did knowing me to be a bum and completely unreliable (laughs). But that was my first big loan. I think that I had student loans too. In those days, the first part of every loan was a grant, up to \$600 or something like that. I think I came out of 5-6 years of education owing about \$1,200 or something like that.

INTERVIEWER: Do you remember how old you were for that car loan?

CURT: I would have been, that would have been 1976 I guess, I would have been 26.

INTERVIEWER: Can you remember the banker?

CURT: No, I can't. All I know is that it was a very serious thing compared to now. Now you can't walk 10 feet without somebody trying to get you a credit card with a \$50,000 limit. Anyways, that was my first loan.

INTERVIEWER: Any regrets? Did you pay it back all right?

CURT: Yes, what happened was I worked in Saskatchewan for a couple of years and then I ended up selling the car because I went to England for a few months. I hated Saskatchewan, but no, I had no regrets. And afterwards, I obviously became quite familiar with debt.

INTERVIEWER: Out of curiosity, what the car?

CURT: It was a horrible car. I had the choice of two cars. One was a brand new FIAT 128 and the other was a Volkswagen Super Beetle, nice looking car, but it was used and I was a bit leery. So I got this FIAT 128, which was the worst damn car. I used to call it the Singer Sewing Machine car because that was the engine, and I had a good friend of mine in Saskatoon, I was in Regina, and the gas tank on that car was so small even though I probably got enormous miles to the gallon. You could literally pick up that car. You couldn't make it on a tank of gas from Regina to Saskatoon, which is like a two hour drive. You had to stop and get gas. And in those days, there were no gas stations on the highways so you had to pull into these small prairie towns and hope to hell there'd be a gas station open, so I'd be in constant fear. I'd go up in the winter, trucks passing, piece of crap, worst car in the world. Terrible car.

INTERVIEWER: Before you had gotten into that loan had you ever gotten any advice from your parents with regards to debt?

CURT: No, no advice about debt, sex, anything. I'm a good catholic boy. We never discuss anything.

INTERVIEWER: Did you discuss debt with your family and provide advice?

CURT: Yes, in our family, my wife is the tough guy and very close with her money and I am the spendthrift. And my daughter is a spendthrift when she is going into my wallet but otherwise she is cheap as borsht. She will not, she is very careful with her money even though once in a while she buys something crazy. What she'll go and do is buy something in a, like a piece a clothing or something and she'll bring it home, keep the bills, then take it back. She's one of those types. She loves shopping but doesn't like paying for stuff. And she has a \$1,000 limit credit card and every time she uses it, she'll pay off the credit card before the bill. So she's very tight with her own nickel.

INTERVIEWER: Any of that based on the advice from the parents?

CURT: It's just her personality I think. She doesn't like to gamble, or anything. She's not the stereotypical Asian who likes to gamble or any of that crap. Absolutely none of that. She's a tightwad basically, who's constantly crying poor and all that stuff. So she hasn't, she's more like her mother than me.

INTERVIEWER: Have you yourself ever been asked to co-sign a loan?

CURT: I don't think she's ever had a loan outside of her student loan. Susan and I have co-signed our mortgage and all that crap, but that's different. You're talking about substantive money versus a \$1,000 bucks at 26.

INTERVIEWER: Can you remember the few years leading up to your retirement. How much of a concern was it for to be able to maintain your lifestyle?

CURT: One of things my employer did that was very good was they had a retirement seminar, which they offered to people approaching retirement. Maybe four, five years before I retired I went on it and they had a lot of lifestyle nonsense which was a complete waste of time but they also had a couple of financial guys. One of whom I had a private meeting with and they explained how CPP worked and everything else and it was premised on paying off the mortgage, which I did within a year of my retirement. And then I had the great scam of early retirement and the buy-out from my employer which made all the difference in the world so I wasn't really worried.

INTERVIEWER: Recent indicators suggest that more and more people entering retirement are still carrying mortgage debt.

CURT: Yeah, I read that too. I guess what it means for a lot of people is that they will not have...I guess as you know, the whole thing about debt is that it limits one's options right? If you have to pay la mordita every month that means you're not going to have extra money to allow you to take a trip or whatever the case might be. That's a lot of what retirement is about you know, getting away and enjoying yourself as much as you can, while you still can. It's like, one of the funnier things was, I'm 64 now, when I turned 64 I got the letter from the Government about my old age pension which immediately, you don't have to sign up for anymore, they just give it to you. But, they said, amusingly enough, if you didn't take it when you're 65 and take it when you're 70 you can get up to 30% more. So I had down with my trusted little calculator and figured out that the crossover period of 5 years taking it and the extra would make a difference was something like 82. A, I'm a big man, the odds of me making it to 82 are sort of 50/50 # 1, and # 2, what the hell are you going to do with an extra \$300 bucks when you're 82 years old! (Laughs) Completely ridiculous eh? Just to save them a few bucks. I was very amused by that. Typical Government trying to seduce people who live in fear of being 90. Now, my old man lived to be 92, or was in his 92nd year and I can tell you the last couple of years he wasn't doing much. Up until then he was still going on a couple of cruises a year with my aunt and enjoying life. But the last two or three cruises he was having a hard time getting on the ship, and you know, you're like a clock. You wind down. We've got another uncle who still play golf who's 92 now, but for most people the clock runs down, it runs down. And all of a sudden you can't do a lot of stuff. And when you don't do a lot of stuff you can't spend a lot of money. You don't go out. Like I go out to lunch with my buddies. I don't buy clothes any more. I've got 15 million dress shirts. I bought a whole bunch of dress shirts the month before I retired because I didn't know I was going to retire. And so I've got all these dress shirts and there a complete waste, I have to force myself to wear them.

CURT2: He's the best dressed guy in Florida.

CURT: Yeah, by far! But the mortgage that was my main concern was to pay that off.

INTERVIEWER: Were you ever tempted to go back to work?

CURT: Me? Are you crazy? Not only was I never tempted to go back to work but I mock people who do. If you want to go back why did you even leave in the first place you know? And even if you're double dipping. Time is worth everything. Nobody has ever had on their tombstone, "Jesus, I wish I had worked harder and longer." No one ever says that!

INTERVIEWER: For the people who do go back, what do you think the motivation is?

CURT: Money I presume. Money or a lot of people get bored easily. I think a lot of people like the social interaction of being at work and all that other junk. It makes them feel important. I know a lot of guys still at work who will have a hard time. One friend's a vice-president, he's going to have a hard time retiring you know, it makes him feel like a big man. But I remember a few years ago, I was retired and my wife wasn't, and we went to Amelia Island, the last of the sea islands, the only one in Florida, right at the top, just north of Jacksonville on the Atlantic coast, really neat little island. We're at Amelia Island, neat little town with all these cheap little stores, and I'm sitting out there, nice sunny warm day in March. I'm sitting out there and I see a very well-dressed guy, a little bit older than me and he was probably a retired executive or something. And there he was trailing along behind his wife just like I am, and I say, "You're just a schmuck now buddy!" (Laughs). We're all just schmucks, old retired schmucks that nobody want to have anything to do with! (Laughs). So, no, I never saw it as an option for me. I never wanted to work. I really like being retired. I enjoy it tremendously.

INTERVIEWER: Within your circle of friends did you ever know somebody to have debt problems?

CURT: Not that I am aware of. But that doesn't mean anything. Guys tend not to discuss their, those sorts of things. Most people who worked in Government, Ottawa's a pretty affluent middle class town, so people don't, almost everybody is a middle class schmuck of some kind.

INTERVIEWER: Have you ever heard of something called the sandwich generation?

CURT: Are we moving into pornography now?

INTERVIEWER: It's research that suggests current generation that will be expected to support both their parents and their children.

CURT: Oh, yes, yes. I have heard about that. I'm not aware of anyone who is in that financial situation. I have known people who have aging parents while also having kids still farting around in school. We haven't had it.

INTERVIEWER: Have you heard of any instances of parents moving in with their children?

CURT: Yes, I do have a friend where this happened. He's been retired for medical reasons for a least 20 years now. He was a very successful lawyer who also happened to be manic depressive. He had a couple of big episodes where he crashed. And the last one it ended up he lost his client's trust funds. So he had the option when he got out of Holmwood of either going to Penetang or going through the regular legal thing. Anyways, he ended up in Kingston, only 6 months, but in the psychiatrics ward because he's a manic depressive because he kicked out this thing on his bunk and bonked his head and they thought he was crazy. Poor guy. Anyways, for the last 25 years, he's been on pension, and his wife, 10-15 years younger than him. She's one

of four, very successful fund raiser for hospitals. And her parents, housewife and a mechanic. He quite foolishly, just before the proverbial hit the fan pulled his money out of his pension thing and subsequently lost in all in bad investments. So they are basically living off of CPP and old age. So they live in their house, and go down to Florida. They have a trailer, quite nice. But they live with her parents the rest of the year. But they're getting older, there's dementia, his wife has a very high stress job, commutes has an apartment close to her work. Is continually at loggerheads with her mom. And my friend is kind of just there. Plus, the mother, I think she might have overcome this. But they a casino not too far and the mother would go and blow her check there at the casino every month. So they were always having to give them money and stuff. Always paying for them to fly down and stuff like that. Fortunately his wife makes goods money.

INTERVIEWER: If you think about people in financial distress, or people who have had to file for bankruptcy, what thoughts come to mind?

CURT: Well, I'm a Christian. There but for the grace of God go I. So, I feel sorry for them. What else can you say? Poor son's of bitches got themselves caught in that grind for whatever reason. I'm a very, believe it or not, forgiving person. What can you say? It's terrible, I feel sorry for them that they put themselves in that vice and grip. Especially, when you're old and your ability to make money is quite limited and you're, to even deal with it. One of the phenomenon where we stay in Florida, at the grocery store Publix, really nice grocery store, makes Loblaw's look like a dump.

INTERVIEWER: I know when I was in Tarpon Springs that it blew me away the age of the people working in the grocery store.

CURT: It's amazing! On the weekends you get kids, but during the week it's old farts. And I mean old farts. The bag boys are all like ancient. We had a bag lady this year, she must have been 4'6" and weighed 85 pounds at most and she must have been ninety saying, "Can I carry your groceries out for you?" It just makes you laugh, but that's what they do. In the States a lot of people got screwed by the stock market issue and their 401ks which I guess are our RRSPs, a lot a lot of people.

INTERVIEWER: One thing you mentioned while describing debtors I found interesting, "they put themselves in the vice".

CURT: Well normally, for a lot of people one of two things happen. One, bad circumstances. People who put their money in RRSPs and they just happen to retire at the wrong time, that's accidental. They just get caught in the economic whirlwind. And this rise in the defined contribution pension is horrible, it's the wrong thing, we're doing the wrong thing as a society, no question about that. And other people, they just make bad mistakes. I know a lot of guys who rode up stocks like JDS and Nortel and then rode it all the way back down, lost a lot of their

pension money. Just bad luck. Every time I've ever been in the stock market I've lost money. That's why I view the stock market to be a criminal conspiracy. It's like gambling as far as I can see. And in Canada, the regulations are practically non-existent.

INTERVIEWER: Do you still partake in the stock market?

CURT: No, not at all! I have no RRSPs, no mutual funds. My wife does. But no, I refuse to. And this is the only thing that makes me a bit nervous, is that when we decide to sell the house, we're going to get a big chunk of money, some of which I hope to give to my daughter to buy something, but I don't know what the hell we're going to do it because I don't trust anyone. I certainly don't trust financial advisors, they are just there to sell bank products. Where do you put your money? I have not a clue, no clue. More importantly, I don't want to. I'm intelligent enough to know that if I spent enough time watching the market and stuff like that that I could probably be okay. But I don't want to spend my time doing that, I have no interest in that. Zero interest. Who's up, who's down, I just don't give a shit. I'm an old communist you know. (Laughs).

INTERVIEWER: Concept of debt has been described as the water people need to survive, a never ending a treadmill run by the devil. Horrible or necessity? Where do you place debt?

CURT: It's interesting. I've never really thought about it. I understand debt, I understand the world work's on it. But at the same time, in my personal life, I've always viewed it as something one has to get into to purchase some things but you want to get out of it as quickly as you can. What would be a good a good analogy? It's like something you need but that you have to run away from as quickly as possible. So, when you get a mortgage, pay the bi-monthly payments, pay the 15% per year, reduce it as quickly as possible. That's the theory. One of the phenomenon that's happening in my neighbourhood is that quite nice houses are being ripped down and these singles and doubles are being put up which are all selling for \$800k to \$1M. You see people buy them, it's normally people quite a bit younger than myself with kids and I'm thinking, how in God's name can you afford to carry a mortgage of \$400-500k? For me it's completely frightening. I think the biggest mortgage we ever had was a \$100k. At the time, I thought it was Sisyphus with the rock on my back. But I guess people do it, I don't know how, it's frightening to me.

INTERVIEWER: Do you think there's been a change in mindset?

CURT: There must have been. My nephew just bought a house in Toronto, \$700k, pretty cheap for Toronto. He's a lawyer, recently married and they've saved like crazy. But I still figure they have \$400k mortgage, God I would find that very difficult to deal with. Even with two incomes. One income must be completely for that debt. Which means if something happens, somebody gets sick, or you want to take your kids to Disney or a cottage, new car, all that stuff. It seems to

me it does constrain you. You really are in that rat race. You hate your job, tough. Stick it out until you can get a better one.

INTERVIEWER: Have you or somebody you know stayed in a job because of debt considerations?

CURT: Yeah, sure. I stayed in my job much longer than I ever intended to. Sure. Most people work not because they like the work, but because they need the money. Not that I ever had a passion to become a small business owner. I mean, if I wanted to blow my brains out I'd just buy a gun. I think there are a lot of people. You constantly hear of intimates who have worked and worked and then done something completely different that was their passion all along, like starting a small business. I ran into a guy the other day that ended up doing something so completely different to pay his mortgage and raise his kids.

INTERVIEWER: Is it the role of government to come in and provide better warnings? Thinking of warnings on cigarette boxes for example?

CURT: The problem with that is that it's a pretty heavy hand shall we say. There's not a hell of a lot of nuance. For example, everybody's circumstances are different than their neighbours. So for some people saying they are in a bad debt situation, I mean what is an untenable debt situation for a person? It really depends on the person. If you're talking about buying big assets, mortgages, I think the role of government to decide maximum terms and down payment is the right and proper thing to do. I know a guy at CHMC, interesting organization. But in terms of consumer debt, saying it's way too high, Bank of Canada etc...But how can you say way too high? Same goes for Government? It's very difficult to have a rule for consumer debt.

Biography of John Adams, played by Paul Giamatti, one of things he goes towards the end of the Revolutionary War he goes to France as the under-Ambassador and then the Netherlands and what he's doing, is he is there to borrow money on behalf of the United States. Not because they need the money, but because they need to have the credit. They need to get in. You're not a nation until you need to borrow money. It's very interesting as a concept, until you've established yourself in the world and the financial world as somebody who can borrow money and pay it off, you're not a nation. Just like people to a certain extent. Until you've become a debtor, you're really not an adult, you're just some kid still wandering around. Being a debtor in our society is sine qua non to being an adult, being someone who has responsibilities. And one of those responsibilities is to service your debt and use it to buy assets to raise your family. I mean that's the way the world works. It's difficult of course, this is recent phenomenon over the last 200 years, prior to that it didn't exist.

INTERVIEWER: Throughout history, there are many instances of spiralling debt issues throughout history. It rarely ends well.

CURT: What's the old song, you owe the bank \$10k it's your problem. You owe the bank \$10 million dollars it's their problem. There's a lot of truth to that, there is a point where it's more of an issue for them.

INTERVIEWER: You've reminded me about debtors in the past, and public shaming of debtors.

CURT: Debtor's prisons, I love the idea! (Laugh)

INTERVIEWER: In the late 1700's, stories of debtors being treated worse than murderers. Have we come too far the other way?

CURT: No, I guess the difference now is that the idea of throwing somebody in prison to pay their debts is self-defeating because if they're not working they can't make any money to pay their debts.

INTERVIEWER: You mentioned earlier that circumstances are different between neighbours. Is there such a thing as a middle-class neighbourhood?

CURT: Interesting, interesting. Yes, I would say this is a middle class neighbourhood. Mainly because to live here and own one of these \$500k houses, you have to have had, somewhere in your life, a fair amount of income to afford it. Now, having said that, there's a lot of older people in this neighbourhood, who are pissed off that they are paying so much in taxes per month. There are definitely working class neighbourhoods, like the Hintonbourg area. But it's all being white washed now, it's a great area. You can buy a house relatively cheap, fix it up and you're 20 minutes from downtown. Neighbourhoods change. I remember a very interesting show, documentary on TV, all around the oil crisis where the statement was made that in San Francisco, that all these suburban neighbourhoods that surround the city will eventually all turn into slums. Because people will be wanting to move downtown and that all these outer-neighbourhoods will be where all the working-poor will be.

INTERVIEWER: When you think of class, what's your definition?

CURT: Income, wealth and income. Despite all the changes, if you inherit wealth, odds are you'll be wealthy your entire life. Creation of the middle class came after the WWII when people started going to school seriously. My father had grade 10, was a ship's captain, went to sea at 15 years old. He was a smart guy.

INTERVIEWER: Do you have any recollections of your parents' interaction with mortgage or bankers?

CURT: Yes, I remember my father telling me, and this was many, many years ago. My parents bought my uncle's house after the war in 1950. They bought it because housing was in short supply. My uncle had had the house built, and for him to start his business he had to sell that

house and take the money to put it into his business. So that's what he did, he sold it to my mother and father. They lived there for 10 years and then they wanted to move out to the suburbs, so they did that. I remember him telling me that he had a \$6,000, 25 year fixed mortgage which meant that rate didn't re-adjust that he milked right to the end. At the time of course, that would have been quite scary, that they bought a \$18k house and had to take \$6k mortgage. My wife's father was an insurance agent in Toronto, he moved up to this house in North Toronto and it was a really impressive tudor style house, four bedrooms, two baths, for \$25,000. It's now worth \$2-3M, things have changed a lot. But these were ordinary working guys my parents were. Now of course, people can't afford this. The single worker family is pretty rare unless the single worker happens to be making a hell of a lot of money. If you're just an ordinary middle class guy in Ottawa, you're working, your wife's working, one's in government, one's in, you know what I mean. You're still making great bucks and all that but you're just in the race. You have debts, (Laughs) and your kids haven't even reached the point where they're going to start costing you a lot of money.

END Interview # 6.

Interview # 7: Paul. Profession: bankruptcy trustee

INTERVIEWER: There's been several recent articles discussing debt, one of which indicated that half of Canadian homeowners believe that they will still be in debt when they retire. That 51 percent of individuals anticipate being debt free, 49 percent believe they will still have debt going into retirement. I'd like to just your views on the prospect of carrying debt into retirement.

PAUL: I can't respond to the percentages because I haven't seen any of that information. But all I can do is relay my answers to the experience I've had in my practice. My practice was a bankruptcy practice, I was a bankruptcy trustee since 1985, did bankruptcy, insolvency type work for roughly the last 30 years. I can tell you, that I'm guessing those statistics are probably pretty close based on what I've seen in my practice where I've seen folks in the last in last 4 to 5 years, there's been a lot more seniors if you like file for bankruptcy then in the earlier part of my practice. So, retired folks, yes, they did have a lot of debt, primarily credit cards and lines of credit and that type of thing.

INTERVIEWER: So you'd experienced a trend where the clientele was aging?

PAUL: Yes, when I was working and I retired in October 2013. The last 5 yrs up to that point there'd had been an increase in the number of senior filing for bankruptcy or in some cases

making proposals but in most cases going bankrupt. So there had been an upwards streak of retired seniors, with debt.

INTERVIEWER: Can you describe some of the leading indicators as to what had changed or what may have caught them by surprise?

PAUL: Primarily what would happen would be cases where Mr. and Mrs. were going along with two old age pensions, two Canada pensions, maybe small pension from when they were working. In most cases they could handle debt from those sources of income, but when one of them dies and the income is significantly reduced and in lots of cases this was joint debt, then the surviving spouse has all the debt with little better than half of the income. It just doesn't work.

INTERVIEWER: Have you seen or witness any examples where the debtor at retirement age had gotten into trouble for having co-signed loans for dependents or children?

PAUL: Yeah, that would be another reason that they'd have come in to my office. They would co-sign whatever type of loan. In some cases, the kids they had may have been sick and out of work with reduced income so the parents, now retired seniors, were using credit cards to cash advances to give to the child to help him or her through whatever medical issue they may have or to help them get through even if they weren't sick. They could be unemployed, help them through unemployment spot where their income was reduced due to lack of employment. So the retired senior would take cash advances on credit cards which would eventually come home to roost with the senior, or they would simply give them whatever cash they might have had. So yes, that happens and if they had guaranteed a loan for son or daughter at the bank that couldn't be paid then the bank would come a calling and ask the senior how they would like to pay this.

INTERVIEWER: Have you seen any prevalence of the reverse happening throughout the economic downturn? Where it was actually children who had gotten into trouble co-signing loans on behalf of their parents?

PAUL: No, I don't recall seeing any of that I'm sure it happens. I've seen the reverse, this didn't happen often in my practice, where children were helping out the seniors who didn't have enough income because they were sick or whatever to pay their bills so the son or daughter would take out loans or an advance or line of credit and the reverse would happen. The son or daughter would get into trouble when they didn't have enough income to pay the debt. But that wasn't as common as the senior problem.

INTERVIEWER: There are some good reports from Michalos, Hoyes and Associated, a large trustee here in Ontario, and they put out some documents, the latest called Joe Debtor, the face of debt. I wanted to run through some of the findings and get your thoughts. They report that the average debtor age has been increasing, the average debtor is now a 43 year old male (up from

41) and that the age of filing is increasing. Majority of the time they are married, with a higher probability that the relationship will end in separation or divorce?

PAUL: No, no surprises. They are probably right about the average age thing. When I think to the practice that I had the age would have been going up.

INTERVIEWER: In your experience, what would be worse, having access to easy credit or not having access to any credit?

PAUL: Access to easy credit is worse I think. It just gets you into trouble. You walk into Canadian tire or Sears, or whatever as soon as you enter the turnstile. You can get an extra 10-15% off if you sign up today, so they sign up. Credit card might have a low limit on it and people take the card or cards generally and sooner or later down the road those cards are maxed out. Now the folks just don't have enough money to pay them. It's kind of a problem that sneaks up on you, and if you didn't have the credit in the first place you wouldn't be in the problem.

INTERVIEWER: With regards to your clientele, can you comment at all on the burden, the impact the debt burden would have on their mental or physical state?

PAUL: It wouldn't matter if you were young, middle aged or senior, by the time folks came to my office they might have already been to credit counseling somewhere, they might not have been. But generally in call cases they've been dealing with trying to solve their debt problem themselves or listening to people who gave them bad advice. Generally when they came to see me they were stressed and severely stressed. They'd been getting calls from creditors, collection agencies, who, especially the collection agencies are absolutely brutal to these folks and often lie about what the collector can do and scares the devil out of these people, especially the older people. So they came in stressed, wages might be garnisheed, judgments files, and they absolutely did not know what to do or where to turn.

INTERVIEWER: Would you mind expanding on the credit agency's collection methods?

PAUL: What happens when I hear from the clients I had, the kinds of things they told me were a collection agency would call and say, "Look Suzy Q, you owe the bank x dollars and haven't made a payment in months. You need to make a payment in some big amount and you need to make it tomorrow. If you don't make the payment tomorrow, we're going to call your employer, or were going to garnishee your pay immediately (which they can't do in this province, maybe they can do that in other provinces), but that's not the case here. We're going to take you to court", and most people don't know what that means. Yes the collection Agency can take you to court through applying for a judgment. But just to say to someone that we're going to take you to court and do it this Friday scares them. So that's the kind of stuff they would start with. And the tone that the credit collector would have, would be very aggressive and threatening. I have

talked to a couple of the collection people on behalf of people who file for bankruptcy so I know about the tone of the conversation and the way they come after people because they tried it with me. They just scare them to death. And that forces someone who thinks they're going to jail on Friday, or my employer is going to terminate my employment that I'd better go and get some money from a friend or relative, or cash store. They get anxious, upset, don't know where to turn and when they exhaust those kind of things then they end up in my office.

INTERVIEWER: When they arrive in your office, do people recall the first time they went into debt? Do they understand the progressions and the ongoing impact of accumulated debt?

PAUL: I don't think that they think about it much. I never really asked them. After you talk to them for a while, you get a sense of what happened but don't really get into what got them here.

INTERVIEWER: So the credit counselling aspect was secondary to moving forward and getting them out of the situation?

PAUL: Yes, there are through the bankruptcy process there are what is referred to as two counselling sessions and it's more, now that you're into the process and we've quieted things down, whether you spent on wants instead of needs, but in most cases people ended up in debt because some unfortunate thing came along and pushed them off the rails. I don't think a lot of people set out to get a bunch of credit cards, run them up and then say, "Frig, I'm not going to pay them."

INTERVIEWER: So you don't ascribe to the consumption epidemic that people just couldn't control the urge to buy, buy, buy?

PAUL: Not in my practice. Now, that did happen. Not that it ever happened. If it did it would be more younger folks, 30 or less. If a 60 year old came into me, they came from a different background where they would try and pay their debts. They would try to pay their debts but something happened to them, somebody got sick or they were helping their sick son or daughter, loss their job, got hurt, that kind of thing. Once that happens and you get off the rails it's hard to get back. The other common thing was that you could be 55 years old working at a plant down here, fish plants around here, and all of a sudden the plant closes. Now who's going to hire a 55 year old unskilled person? So there's a big impact on especially older people who have their employer vanish and they have a big problem, really through no fault of their own.

INTERVIEWER: In relation to your practice or yourself, how important was debt to the individuals' decision to retain their employment or seek new employment?

PAUL: No, I hadn't found that. There were situations where somebody would come in and they had a bunch of debt because they are working at a seasonal job, or at a job that doesn't pay much above minimum wage. They would generally come in to explore what options there might be.

And if they were young enough, I've had folks with some skills that weren't usable here, that would pick up and go west and work in the oil patch, make some money and pay off their debt. Now that wasn't real common, but they tried to do something different and take up new forms of employment.

INTERVIEWER: Is that something then that was limited for the older debtors?

PAUL: Oh yeah, that was impossible for people in the older profile.

INTERVIEWER: So what options did exist for older debtors facing bankruptcy?

PAUL: There were probably three choices. If they had some assets with equity in them, maybe a house with a low mortgage which was not usually the case but sometimes happens, we would look at selling some of those assets and using the pool of equity funds to pay off the debts and if that wasn't enough to pay off all of the debts they would then often make a proposal which was often quite successful. If they didn't have access to assets or money, they went bankrupt.

INTERVIEWER: Would you mind providing me with the average description of the people who walked through your door?

PAUL: When I look at my practice over the 30 years, you can not name any profession or type of work that I didn't have come through my door. I've had them all.

INTERVIEWER: Doctors?

PAUL: Yes, I've had doctors, health professionals, teachers, Members of Parliament, RCMP, city police, engineers, garbage truck drivers, I've had them all. You can't name anyone I didn't deal with. This whole debt thing is not related to someone who didn't have reading skills and left school in grade 4. There was some pretty high profile people who came through that initially you'd think how in the name of God could you get into this? I mean you're a member of Parliament, all kinds of income, what went on here? Or well-paid other professionals, lawyers, doctors, accountants, so no one was immune to this. It was the same old story; some people just spent way beyond their means, spent on their wants instead of their needs. Or even for people with good jobs and well educated they can run into unforeseen circumstances just like you or I.

INTERVIEWER: Would you view it as a lack of planning or overly-optimistic planning?

PAUL: Sometimes it was both. Sometimes people just didn't plan. You take self-employed people, electrician or cabinet maker, plumber, working by himself out of his garage and made a pretty good living. Then something comes along and he thinks, with two other people I could make two or three times the money. That never happens and then they get into trouble. Generally it was unforeseen circumstances that came up for people, at least in my practice.

INTERVIEWER: Of the factors, unforeseen consequences, which were the most prevalent?

PAUL: Separation was a big problem. Sickness was one. Loss of employment was also a big one. I mean if you working for an employer today, I'll use CBC as an example, you're a reporter, making \$80,000 a year, you get a house, renew your mortgage, get a car. This month you're quite happy. Next month CBC budget comes out and cuts five positions in Charlottetown and you're one of them. You have a huge problem. You could be 30 years old, decide to go to CTV or move to Toronto. But if you're 55 years old, even if you're good at your job, you might say to yourself, "Well, I'm a pretty good reporter and know some friends at Global or CTV, I'm going to call those folks." They say, "Yeah, you're a great guy we just don't have anything right now though I'm sure something will come along." So, what you do is use your credit cards because you're convinced something will come along.

All of sudden your severance package is finished, your EI starts, you still have a few contacts but you're now a year and a half down the road. You couldn't believe that you'd be out of work for a year and half because you were so well known and a smart guy. Now all of a sudden it's three years along and you still don't have work because everyone is in the same boat. You don't have any other skills then being a reporter and you're 55 years old. There you go. You're stuck. So some people frivolously use the credit, other people hoping that something would turn around for them over a short period of time.

INTERVIEWER: What are your views on the obligations or ethics related to the creditors themselves? For example, credit card companies targeting university students during frosh week? Should creditors be held accountable for increasing prevalence of debt usage?

PAUL: Depending on the creditor I guess. I'm not sure they think about it very much. They have a product to sell and they're in the business and they sell credit. So if you're walking through the turnstiles at Home Depot, Sears, whatever, or the airport and Aeroplan is promoting their card with the points, they're there to get you hooked and signed up to make money on the interest. I don't think they think about if they should be targeting certain types of people. They sell to anyone who is willing to buy their product. So I don't think they think about it. They plan for defaults and they live with the fallout. I don't think there's a lot of ethics in lending personally.

We were in Sears the other day, and the whole store has red stickers on top saying to take off another 15 percent, but if you use your credit card it's 25 percent off. And if you don't have yours, they'll offer you a temporary one. Now you're thinking to yourself, "Geeze this is great." You get the extra off and it doesn't seem like a big deal at the time and the credit card comes in, and you make the minimum payment or maybe you pay it off. Now you're got this card with maybe a \$3,000 credit limit on it and the same thing happens with all the other stores. It all goes to hell in a hand basket, especially if you're in a situation where you happen to be temporarily out of work or sick or something and you use the card you got 6 months ago. I also don't think that the credit lending people think beyond the loan that they're granting. For example, if you go

into a financing company for a loan, they might just look at income, how much you want and look at it very narrowly. As opposed to asking what other loans and payments to you have. If we give you this loan and you already have car, house, student, payment over here, over there, you're not going to have the money to make the payment. We therefore, can't give you the loan. I don't think they think of it in that wide a fashion. We have a promotion to try and promote more credit this month, I just need to book this loan. It's not my problem if you don't pay it and away they go. So back to the whole ethics thing, not a whole lot.

INTERVIEWER: Bankruptcy laws favour which side?

PAUL: First of all, the bankruptcy law is in place to do certain things. It's in place to help people who absolutely cannot get out from under a debt loan, however they got there. It's to help them solve that problem. It's also in place to help the creditors who are dealing with unscrupulous debtors whom for whatever reason have squirreled assets away or made preference payments. It allows creditors access to those debtors to reverse or straighten out inappropriate payments the debtor may have made. The Act is also in place to provide a mechanism for treating everyone as fairly as possible. If the person has to unload a bunch of debt and will come out of the process with little or no debt, if they have assets then they are going to lose some of those assets. Those assets, whatever they might be, get distributed to the creditors in a fair fashion. So I wouldn't say the Act favours one group over another group. It tries to help people, whether you're a creditor who hasn't been paid or a debtor that can pay. It's there for both sides to make the best of a bad situation through a process.

INTERVIEWER: Does the debt counselor actively defend the interests of their client or try to uphold fairness in that exchange?

PAUL: You have to do both. It's like walking a fence. I always took the approach that if you have to fall off of the fence that you'd generally fall onto the side of the creditors, but in lots of cases you didn't have to fall off the fence. In many cases the debtors think they have rights that they don't have. And they have to be told you can't do this or that. In some cases, creditors think they have right they don't have. As a trustee you have to kind of walk in the middle and keep everybody onside in a respectful fashion.

INTERVIEWER: Are there any changes that you'd like to see from a legal perspective?

PAUL: Generally I think it works pretty good. There can always be a bit of tinkering here or there. I think in some cases where you have people who have filed for bankruptcy who knew what they were getting into before they signed the papers and the process started, sometime debtors who are now bankrupt will not follow through on their obligations. When push comes to shove at the end of the day, if you read the Bankruptcy Act, it'll say that you can do this or that to the debtor, get the RCMP involved if strange things were happening, but at the end of the day some of these debtors, who really just don't give a damn and were supposed to make payments

because they had surplus income and they knew they had to make payments. They get into the process, the creditors aren't calling them anymore and the bankrupt person isn't making payments anymore. The Bankruptcy Act isn't hard enough of them. I think most of the people who get into this process legitimately want to be there. They work through the process, they do what they're supposed to do and get on with life. But there are some folks, more than a few, that get into the process, get the relief as creditors aren't calling or garnishing income. But if you happen to be one of those debtors who was supposed to be making payments to the trustee as part of this process and you're not making those payments the Bankruptcy Act may say you can call the RCMP. The debtor has made an offense, you advise the Office of the Superintendent of Bankruptcy, there can be an RCMP investigation and if found guilty are subject to a fine or go to jail. Now that all sounds kind of scary and that kind of thing but the reality is that there is really no desire to take the people who are flaunting the system and deal with them.

INTERVIEWER: If you had to throw out a percentage of people who are abusing the system?

PAUL: I guess in my practice, I'd say maybe 10 percent of the people. They just get offside and think, "To hell with this, I'm just not making these payments. Come and get me."

INTERVIEWER: From all walks of life again?

PAUL: No, I'd say this is generally middle-aged to younger people. Because older people have a different mindset.

INTERVIEWER: Can you recall the first time you went into debt? And what was the purchase?

PAUL: I'd suppose my first debt was my student loan, that'd be many years ago. But other than that my first major debt was my car. It was a 1968 Dodge Monaco.

INTERVIEWER: Fond memories?

PAUL: Yeah, it was a lovely car. Wish I still had it today.

INTERVIEWER: Within your family did your parents provide you with any advice for managing debt?

PAUL: No, no. None.

INTERVIEWER: Did you provide advice to your children?

PAUL: Yes, I've done that.

INTERVIEWER: Do you think it's common that it wasn't a conversation that parents wanted to have 30-40 years ago?

PAUL: My guess is that they didn't have that conversation. I don't know why I think that. But when I look at my situation or my wife's, her parents wouldn't have sat her down and said, "well now, you started teaching and have an income, here's what you should or shouldn't do." It was just 40 years ago but I don't think parents were into that kind of thing.

INTERVIEWER: Taboo or just not top of mind?

PAUL: I don't think there was any taboo to it. I think they just didn't think about it. They were both working hard, pay their bills and kids get older. They move out and away they go. It just wasn't thought of.

INTERVIEWER: Do you have any memories of things being bought on credit or installment from your early days?

PAUL: Everything cash. Same with my wife's parents. That just comes from old old school. My grandparents on both sides were farmers of some description and that's what their parents did. Back then there was far less credit and wouldn't have been any credit cards back then. If they didn't have the money, they didn't get it. They just moved on, worked and saved. Now they might have gotten a bank loan for a car or mortgage or something but certainly credit wasn't as big deal as it is today.

INTERVIEWER: Debt has been compared to an unrelenting treadmill, to water, necessary for survival. With your experience, what images come to mind?

PAUL: When I think about debt my clients had they might have thought about like a means to survive. I like the water reference. I often said to my clients, "listen, if you don't do something with this debt load here's what's going to happen. Visualize yourself in a room and someone is pouring water into the room. Sooner or later your heads going to bump into the ceiling and you're going to drown. And that's exactly what happens when you get too much debt.

END Interview #7.

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