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MORTGAGED DEMOCRACY[1]

The idea of a mortgage – from the French 'dead pledge' – has existed for at least five hundred years. In legal terms it refers to the transfer of property from a debtor (the mortgagor) to a creditor (the mortgagee) as security for a money debt, with the proviso that the property shall be reconveyed upon payment to the mortgagee of the sum secured within a certain period. In *The Eighteenth Brumaire* Karl Marx recognised the importance of the mortgage in the development of capitalist democracy. 'The feudal obligation that went with the land was replaced by the mortgage,' and the bourgeois order 'has become a vampire that sucks [the smallholders'] blood and brains and throws them into the alchemist's cauldron of capital'. The mortgage, for Marx, is an unequal relationship of dependence contributing to poverty and exploitation.

Democracies express two forms of mortgage relationship, which are like agreements for a monetary loan with debtors and creditors. On the one hand states can be mortgaged to entities such as large corporations or international financial institutions. On the other, individuals mortgage their freedom to the state and financial creditors. What is the nature of these 'mortgages'? What is the form of interest? What happens when the conditions of the loan are not fulfilled? These questions may provide a way of thinking critically about the model of representative government in which the people are deemed sovereign, and reveal its authoritarian aspects.

Mortgaged States

A democracy is mortgaged when its 'deeds' are held by particular groups or institutions. If the democracy does not fulfil the needs or desires of these groups – that is, repay the loan and interest - then the state, like a mortgaged house, may be claimed or conveyed. The 1954 coup in Guatemala, ending ten years of elected reformist government, demonstrates how a democratic state can be claimed by its creditors. The Guatemalan business sector backed the coup as the government threatened their interests through land reform and extending labour rights. The military feared losing its control of the countryside. The US-owned United Fruit Company (UFCO), which had close links to the head of the CIA and Secretary of State (the Dulles brothers), had plantation land expropriated. Under pressure from UFCO, and fearing the spread of communism in the region, the US helped engineer the coup. The military took over, land reform was reversed, labour crushed, and markets freely opened to foreign companies.

Guatemala is not an isolated example. The periodic swings between liberal democracy and military rule in Latin America can be interpreted through the idea of the mortgage. The business sector supported coups in the 1960s, and withdrew their backing in the 1980s when military regimes no longer served their interests. Latin America's 'new democracies' have protected large corporations and traditional landowners by securing private property and ensuring a capitalist marketplace. This protection constitutes the main form of 'repayment' in the mortgage relationship. The United States has always been an important 'creditor' in the region. Their successful encouragement of a coup in Chile in 1973 reflected the country's mortgaged status. Extensive US funding for the Colombian military and the 'war on drugs' shifts government

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accountability from its own citizens to a foreign power. Accountability is complicated by the Colombian state also being mortgaged to drug cartels and the local oligarchy.

The idea of the mortgaged democracy can be extended beyond Latin America to the rich established democracies. In exchange for supporting governments, often by financing political parties or keeping investment within the country, large corporations receive innumerable benefits which represent debt repayments. These include state contracts for arms manufacturers and scientific research funding for pharmaceutical and biotechnology companies, low interest government loans and cheap insurance for firms involved in international trade, state promotion of exports, provision of transport infrastructure, privileged access to decision-makers on issues such as interest rate and exchange rate policy, and state financial backing of stock markets, currencies and banks in times of economic crisis. According to Noam Chomsky the US government provides direct subsidies to business of $51 billion a year, with $53 billion in corporate tax breaks – which exceeds welfare spending to the poor by around $30 billion. The leading aircraft manufacturer in the US, Boeing, benefited from the Clinton administration's intervention to induce Saudi Arabia to buy $6 billion worth of US-produced jets, with financing provided by the US government Export-Import Bank. The Reagan government undertook the biggest nationalisation in US history, bailing out the Continental Illinois Bank. The international aid package to Mexico after the 1995 financial collapse used millions of dollars of US tax-payers' money to rescue the fortunes of American banks and businesses which suffered from the fallout. The same occurred after the 'Asian crisis' of the late 1990s. Britain's New Labour displays an acute fear of 'the City' and capital flight, and thus rarely challenges its interests. Gordon Brown, the Chancellor of the Exchequer, speaks endlessly about the need for 'prudence'. And the government freely flouts 'humanitarian' foreign policy to promote arms exports around the world. When such benefits are not forthcoming, business threatens to take its money elsewhere, or to support an alternative party. In this way, established democracies remain mortgaged. As the American philosopher John Dewey observed, 'politics is the shadow cast on society by big business'.

The media are an important part of the mortgage system, as both participants and publicists. In an age of media monopolies, Rupert Murdoch's News Corporation and other giants wield substantial influence over democratic states to obtain, for example, licenses to expand satellite television networks or to guarantee low corporate taxation. This mainly functions through financing political parties and influencing editorial policy. Tony Blair went to extreme lengths to secure the support of Murdoch's The Sun newspaper in the 1997 election. There is also a mortgage relationship in the other direction. The mortgaged media rarely provide systematic reporting or editorial comment on many of the corporate 'subsidies' mentioned above, the removal of which would damage them and their parent companies. The Guardian might run a major campaign on Third World debt or City 'fat cats', but not on the need to increase significantly taxes on UK corporate profits. The link between the state, business and the media is deeply culturally embedded. News programmes provide stock market bulletins more frequently than weather reports, they dwell on interest rates and inflation more than unemployment and poverty, they highlight billion-dollar mergers and acquisitions of information technology companies rather than the acquisition (or not) of homes by the homeless. John Pilger notes that the poverty of 60 million Russian pensioners is reported as 'free market reform'. The media help to manufacture consent. They are the publicity machine of the mortgaged democracy.

Since the 1970s governments have manipulated the idea of debt while perpetuating, and even extending, the influence of the groups to which it is mortgaged. John McMurtry, in his book *The Cancer Stage of Capitalism*, points out that during the Reagan administration US military spending escalated and corporate tax rates were radically reduced in the interests of supply-side economics, tripling public debt. At the same time government rhetoric about the need to confront the ‘deficit crisis’ - ideas like ‘we must pay our way’ or the need for ‘fiscal responsibility’ - was used as a justification to dismantle welfare systems and generally cut social spending. Paul Volker, President of the Federal Reserve Board during this period, said that ‘the novel theory [under Reagan] was that the way to keep spending down was not by insisting that taxes be adequate to pay for it, but by scaring Congress and the American people with deficits’. Citizens are made responsible for the costs of the mortgaged democracy, and are compelled to pay the ‘interest’. It is they who sustain the mortgaged democracies in an era in which social democracy has ‘failed’ and there is apparently ‘no alternative’ to global capitalism.

Poor democracies are frequently mortgaged to international financial institutions (IFIs) and the industrialised nations which support and control them. The International Monetary Fund and World Bank provide loans to relieve state debts in developing countries but on condition that countries accept structural adjustment packages which force privatisation, the removal of trade barriers to foreign companies, and labour market ‘flexibility’. Nicaragua became dependent upon IFIs in this way in the 1990s. Elected state representatives had little influence in macroeconomic policy-making, which was imposed from outside, and debt repayments were so acute that not only did education and welfare services collapse, but after Hurricane Mitch in 1998 the state was returning more in interest repayments than it was receiving in foreign emergency aid. In particular instances the ‘property’ may be deemed worthless and the debt cancelled. Russia’s mortgaged status was revealed at the end of the 1990s when the US used IFI loans to bolster the ailing Yeltsin regime. In these cases, where dependency is based on the extension of loans, the idea of the mortgaged democracy seems most appropriate.

Mortgage relationships are being created and enforced through the World Trade Organisation, with developed countries attempting to legislate unimpeded global capital movements to their benefit. The threat of international economic isolation or trade sanctions keeps economically weaker democracies dependent, although the social protest in Seattle in November 1999 showed that the terms of the mortgage are subject to some degree of negotiation. Developed nations can also be caught in a mortgage relationship with the amorphous ‘global capital’: in 1992 currency speculation forced the United Kingdom to withdraw from the European Exchange Rate Mechanism.

Mortgaged Citizens

Like the democratic state, individuals can also be mortgaged. The ‘mortgage’ has long been used figuratively to understand the possibilities of individual freedom. Shakespeare wrote a sonnet around the idea of credit and debt: ‘So, now I have confess’d that he is thine,/And I myself am mortgag’d to thy will’. More generally we speak of being ‘indebted’ to someone for their friendship or help, or promise to ‘pay back’ a favour. Frequently we give up our freedom to a relationship of dependence in which we make ‘payments’ to both financial creditors and the state, often with little prospect of regaining liberty.

Mortgaged individuals are a characteristic of nominally democratic states in which debt bondage still exists. In Brazil in the 1990s, for example, an estimated 60,000 people were in forced labour on some 300 agricultural estates. Typically, poor workers make verbal contracts, are loaded into trucks and are taken thousands of miles to work in dangerous conditions. Upon arrival their promised wages are reduced and then forfeited to pay their transport and food. Surrounded by armed guards they are unable to leave, often threatened with death, and sometimes killed. The companies employing slave labour are usually national and multinational industrial firms or banks. In conditions of poverty lives are mortgaged at the cost of individual freedom.

Individuals are mortgaged in more subtle ways in the established democracies. Liberal democracies promote the protection of private property, and there is strong cultural pressure to own such property, particularly a home. In *Walden,* Thoreau writes that in Concord, Massachusetts in the 1840s it took labourers ten to fifteen years of work to pay off the mortgage for an average house. The situation is little different today. Yet the burden of debt is not simply financial: 'the cost of a thing is the amount of what I will call life which is required to be exchanged for it'. Thoreau realises that the burden of civilisation is the loss of years of life in paying off debt – the Indians, with their wigwams, do not face this prospect. When mortgages are not repaid property can be repossessed, and individuals may face charges of bankruptcy, fines and even incarceration by the state. The images of a cosy home and the debtors prison are not so far apart. In the 1980s the Thatcher government's sale of council houses encouraged people into the private property and mortgage market. Citizens were given the ambiguous freedom to be in debt.

Thoreau also observes that the ownership of a house and other possessions ties people down geographically. The 'need' in modern societies to own a home and the social, psychological and financial pressure to pay off the mortgage promotes a sedentary lifestyle which effectively acts as a limit on freedom of movement for most people. In this sense private property in the mortgaged democracy is at odds with an individual freedom fundamental in liberal thought. A sedentary lifestyle is also encouraged by the state, in what can amount to assimilationist policies. In the United Kingdom, for example, the rights of travellers, including many Romany people, are severely curtailed. Local authorities are no longer required to provide sufficient caravan sites, while punishment for occupying unauthorised property has increased. There is no mortgage interest tax relief for travellers. You cannot vote if you have no permanent address.

In *The Corrosion of Character: the Personal Consequences of Work in the New Capitalism*, sociologist Richard Sennett suggests that the nature of work in the West changed during the twentieth century. Much of the period was characterised by workers having long term contracts, high job security and considerable employee benefits. One could say that workers became mortgaged to their companies, willing to trade loyalty to the firm for a strong sense of security. Of course, the relationship was always unequal, as the firms appropriated the surplus value of labour. However, the globalisation of capital towards the end of the century brought with it the era of 'flexible' labour and the dismantling of these 'benefits'. Short term contracts, temp working, and the weakening of trade unions all eroded individual security. The mortgage between the employee and a particular firm began to disintegrate and has been replaced by a mortgage of the worker to a less clearly defined marketplace in which the terms of the loan are more difficult to negotiate. And as the welfare state has weakened workers have also become mortgaged to entities such as private health insurers and pension companies.

Individuals are mortgaged in relation to the state, incurring certain obligations in exchange for the privileges of citizenship (or right of abode). This relationship is generally mediated by taxation – a compulsory levy on individual work or consumption – which acts as a form of interest payment. When income tax is not paid the result can be fines or prison, particularly for the poor. With the shift in recent decades from direct income tax to indirect sales taxes, individuals have less prospect of 'paying off' this debt through reaching retirement age. Since even the elderly and unemployed must be consumers until the ends of their lives, nobody can come fully to possess citizenship without financial obligations to the state. Inequality in the tax relationship is partly generated because individuals do not have control over the use of taxes, except (in general) in the most indirect fashion through elections every few years. Individuals may not agree that their taxes are used to finance particular aspects of criminal justice systems, or to embark on wars or to subsidise those groups to whom the state is mortgaged, but have negligible influence over such matters. (Nor do we have much control over what a bank does with the profits from its mortgage lending.) This gap between individuals and the state is not a function of which party is in power. The problem is more with the representative system itself and the existence of an inaccessible, centralised state.

In democracies in which there is forced military service or the possibility of conscription at times of war individuals mortgage their lives to the state. In these situations the state can call in the ultimate debt; Marx’s vampire comes to mind. Non-compliance usually results in incarceration or forced labour, while for British (and other) soldiers deserting the front lines in twentieth century wars it often resulted in murder by their own army. The connection between citizenship and war is not surprising given that extension of the franchise in established democracies has been closely associated with the need to mobilise men for war and to integrate women into the war economy.

More broadly the mortgaged democracy uses the ‘rule of law’ to place limits on the freedom of individuals as the price of citizenship or the right to live in a country, supposedly for their own or the general good. People may be banned from smoking cannabis or forced to do jury service, and children may be prevented from directing their own education. Individual freedom, or individual sovereignty, is mortgaged to the state. The loan of citizenship can never be repaid. And while it is easy for some individuals to choose between a range of house mortgages, it is less easy to select between citizenships with different mortgage terms, as many asylum seekers must realise. Acceptance of these limitations has become so ingrained that it is commonplace for us to talk about living in a ‘free society’. Yet what bank would extend a free mortgage, without any repayment obligations?

Alternatives

We might think about alternatives to the mortgaged democracy by returning to the original meaning of mortgage, as a contractual relationship used to purchase property. Community or tenant-run housing cooperatives and self-build housing schemes are methods by which some of the problems of traditional housing have been overcome in modern societies. Housing is frequently cheaper than in the private sector, which reduces the debt burden, and of better quality than that provided by the state. Funding or loans often come from non-profit making institutions, similar to the microcredit schemes found in poor neighbourhoods around the world. Their participatory forms involve people in making decisions about their own lives, the results of which are experienced at the local level. All of this helps provide people with a sense of individual freedom.

Extending this idea, if the decisions that affect people’s everyday lives were made by themselves at a more local and participatory level, without the intermediaries and citizenship debts of the representative system, and the interests to which this system is beholden, then the problems of the mortgaged democracy might be avoided. The distance between state and individual could give way to something like a system of decentralised federated cooperative banks, a horizontal network of social, economic and political organisations managed by the very people they serve, which enable the pursuit of individuality. Individuals would hold the deeds to their own lives. Social harmony, as the nineteenth century Russian anarchist Peter Kropotkin argued, could be achieved ‘not by submission to law, or by obedience to any authority, but by free agreements concluded between the various groups, territorial and professional, freely constituted for the sake of production and consumption, as also for the satisfaction of the infinite variety of needs and aspirations of a civilised being’.

Metaphors for the state often treat it as a living object that can grow or decay, or a mechanical structure that can be replaced or redesigned. To describe a democracy as ‘mortgaged’ is to shift our thinking about the state. It becomes a condition, or the expression of a relationship. In one sense there is a mortgage relationship with particular interests such as big business, in another there is a mortgage relationship with citizens. These relationships involve human beings, some of whom are debtors, some of whom are creditors, and some, like government bureaucrats or politicians with company directorships, may be both. As such, modern representative democracy cannot be an expression of individual freedom. In his book *Anarchy in Action* Colin Ward quotes the German anarchist Gustav Landauer: ‘The state is not something that can be destroyed by a revolution, but is a condition, a certain relationship between human beings, a mode of human behaviour; we destroy it by contracting other relationships, by behaving differently’. The challenge to the political mortgage system will come from establishing forms of contract or association that are local, voluntary, non-hierarchical and based on mutual aid.

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