

**Geographies of Indebtedness: The Spatial Nature and Lived Experiences of Household
Debt in Metro Vancouver**

by

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Abstract

Since the 1990s, Canadian household debt levels have grown at an increasingly rapid rate, hitting records levels in late 2014. Mainstream representations paint the looming household debt crisis as a product of rampant overconsumption, underpinned by a societal lack of ‘financial literacy’. To what extent does the empirical evidence reflect such discourses? Few critical studies examine household debt in Canada, and still fewer consider the sub-national scale. According to existing scholarship, processes of financialization, securitization and neoliberalization influence household debt internationally and nationally. This thesis investigates the geography of high household debt levels at the local scale for Metro Vancouver. It examines the causes and consequences of heavy indebtedness in the everyday lived experiences of individual debtors, and the services and supports that they need to face these challenges.

At the sub-CMA level, the spatial distribution of debt stress (debt-to-income and debt-to-wealth ratios) is assessed at the FSA level *via* a quantitative mapping analysis for Metro Vancouver – Canada’s most indebted city. Despite the generalized high debt stress across the CMA, a distinctly uneven spatial distribution of the costs, stresses (indebtedness) and benefits (gains in wealth) of rising mortgage and consumer debt levels emerges, with disproportionate stress in Vancouver’s outer suburbs.

Through in-depth qualitative interviews with highly indebted Vancouverites, this thesis unpacks the everyday effects that increasing debt-loads have on residents of high-debt neighbourhoods. It draws on media discourse and debtor testimonies to consider the societal and survival pressures

to engage in ever higher levels of borrowing experienced by financialized citizen subjects – funding consumption in a time of high income and wealth inequalities. Common causes of debt stress include unexpected life events such as divorce and job loss, easy accessibility of and marketing pressures to consume credit, and insufficient household resources as inflation surpasses wage growth. Financial literacy initiatives are called into question while, alongside issues of housing affordability, the study finds a critical need for lending regulations, non-predatory alternatives to small and short-term Payday loans, and reduced barriers to accessible and affordable mental health counseling for debtors.

Preface

This thesis is original, unpublished, independent work by the author, Emily J. Hawes. This thesis is based in part on interviews conducted in Metro Vancouver in the spring of 2015 (approx. March-June). Emily J. Hawes created the maps presented in Chapter 3 using secondary data retrieved from Equifax Canada and Canada Revenue Agency's (CRA) Taxfiler database, and transformed by the Social Planning and Research Council of BC (SPARC BC) (a project collaborator). Three of the maps that are presented were prepared by SPARC BC. For Chapters 4 and 5, 29 open-ended interviews were conducted with 5 key informants and 24 non-expert participants. All participants were contacted *via* e-mail by Emily J. Hawes and recruited with the help and permission of a non-profit group, the Credit Counseling Society. All interviews were conducted, transcribed and analyzed by Emily J. Hawes.

This research was approved by the University of British Columbia Office of Research Services Behavioural Research Ethics Board – observed as Minimal Risk. The certificate of approval is UBC BREB Number: H14-00943.

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List of Abbreviations

ABS	Asset-Backed Securities
BC	British Columbia
CCS	Credit Counseling Society
CMA	Census Metropolitan Area
CP	Consumer Proposal
DMP	Debt Management Program
DTI	Debt-to-Income Ratio
FSA	Forward Sortation Area
GFC	Global Financial Crisis
HELOC	Home Equity Line of Credit
ICBC	Insurance Corporation of British Columbia
IMF	International Monetary Fund
MBS	Mortgage-Backed Securities
MSP	British Columbia Medical Services Plan
OECD	Organization for Economic Co-operation and Development
RESP	Registered Education Saving Plan
RRSP	Registered Retirement Savings Plan
SPARC BC	Social Planning and Research Council of British Columbia
TFSA	Tax-Free Savings Account

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For my grandmothers

Chapter 1: Introduction

“There is no dignity in simply satisfying basic needs; just getting by is very little to be proud of in a place where that is no longer the norm... Dignity is about having what others have, what is considered normal.” - Dorling, 2010:131

On June 11, 2015(a) CBC News British Columbia published an online article entitled, ‘How to Cook Cheap Meals on a Budget, from Personal Chef Karen Dar Woon’. The author opens poignantly, *“it’s getting harder for many British Columbians to cook affordable, nutritious and delicious meals”*. Chef Karen Dar Woon dispenses tips for the frugal, advising struggling families to, *“buy seasonal and frozen fish for less...Halibut as well as white and red spring salmon are currently in season”* and, *“optimize [your] steak budget”* by *“eat[ing] a little less steak”*. Offering budget-saving advice from a personal chef to money-strapped Vancouverites serves to normalize a standard of living that is simply out of reach for many households in the region. The author’s apparent obliviousness to the depth of affordability issues in B.C.’s Lower Mainland is troubling in its stark representation of the income and wealth inequality that today undergirds life in Metro Vancouver.

Indeed, Canada is growing more unequal, and so is Vancouver, where wealth and income inequalities are some of the largest in the country (Walks, 2013a; Walks, 2013c). Since the 1990s, rising income inequality in Canada has been characterized by substantial increases in the income share going to the richest 1% of the population – now higher than it has been since the Great Depression (Yalnizyan and Schrecker, 2010; Breau and Essletzbichler, 2013). Since the 1990s, Canadian household debt levels have also grown at an increasingly rapid rate, and while mortgages still make up a large portion of household debt, in 2010 a majority of Canadians reported day-to-day expenses as being the primary motivator for increased credit use (Walks,

2013b). While in the past taking on debt may have been a way of coping with lower earnings and higher living costs, heightened levels of debt today suggest that new strategies may be needed to cope with debt repayment itself.

Households in western nations increasingly rely on products such as payday loans, installment loans, credit cards and other, often expensive, forms of credit to enhance their incomes and support consumption. Debt has long been understood as a means through which individuals and households secure and work toward future goals (*e.g.*, home and car ownership or human capital investments) through leveraged purchases that their current income cannot support. In this manner debt can operate as a vehicle for status attainment (Dorling, 2010; Dwyer, McCloud and Hodson, 2011). This understanding of debt has been mobilized in various discourses of exclusion, wherein membership in society is predicated on inclusion in norms such as homeownership. One long-standing and oft-cited hypothesis of debt use that has contributed to this notion of credit as empowering is the ‘life cycle’ theory. This theory predicts rising levels of debt over the life course (as households borrow in anticipation of future income), *via* investments in education and homes, until middle age when loans are repaid and debt declines (Dwyer, McCloud and Hodson, 2011). In today’s context of limited state social service provision, the Global Financial Crisis (GFC) and subsequent recession, and high and rising household debt levels, it is unclear whether this theory remains a useful profile of a typical life of debt.

At the scale of national economies, widespread rising household debt levels are troubling. Household saving, borrowing, investment and consumption decisions are deeply implicated in national economic outcomes and financial sector stability (Hull, 2003). In Canada, household spending accounts for approximately 60 per cent of aggregate demand (total demand for final

goods and services in an economy) and helped to lift (largely through credit-based consumption) the national economy out of its 2008-09 recession (Côté, 2011). Excessively high levels of household (and financial sector) debt, particularly in the United States but also in other advanced economies like Ireland, Spain, Portugal and the United Kingdom sparked the 2007-08 Global Financial Crisis (McKinsey, 2015). Even in less dramatic circumstances, high levels of household debt can cause recession when economic conditions (*e.g.*, housing prices or credit availability) change, through contractions in consumption as debtor households struggle to meet debt repayments (McKinsey, 2015). These effects are enhanced when savings rates are low as households have fewer resources with which to maintain consumption (Hull, 2003).

Rising housing prices can cause upward momentum by increasing mortgages (and debt), which in turn can further elevate housing prices in markets with high demand and limited supply. Conversely, falling housing prices can lead to downward market momentum, and foreclosure (particularly spatial clusters, or spurts, of foreclosure) can dramatically and rapidly lower the value of nearby housing – leading to losses for homeowners, borrowers and lenders (McKinsey, 2015). In many western countries with high rates of homeownership, including Canada, mortgage debt constitutes a large proportion, often 60 to 80 per cent or more, of household debt. Large debt-to-income ratios and high debt service payments have the potential to constrict household consumption. However, holding a large amount of mortgage debt can also increase a household's use of unsecured or non-mortgage consumer debt, as their credit rating makes borrowing easier, as they feel greater pressures to match (or appear to match) the levels of consumption that they observe in their peer groups, and as they imagine (whether true or not) that they have a greater capacity to handle extra borrowing and consumption (Hull, 2004; Dorling, 2010).

In her 2014 study of household debt, Soederberg states, “[t]he increasing indebtedness of adults across the globe is not headline-grabbing news these days” (1). And indeed over the past decade the media and mainstream commentators have been far more occupied with the state of sovereign debt, as national debt crises have raged in Europe and the United States, while even relatively stable political economies (including Canada) have spent their way out of the Great Recession and its lingering symptoms. Some actors, such as then-Bank of Canada Governor Mark Carney, voiced concerns over high and rising household debt levels as early as 2010, when he warned, “[l]ow rates today do not necessarily mean low rates tomorrow. Risk reversals when they happen can be fierce: the greater the complacency, the more brutal the reckoning” (Bank of Canada, 2010; Globe and Mail, 2015). At the time, few mainstream commentators (economic and financial analysts and the media) – or borrowers – took such concerns to heart, surely aided by the Bank of Canada’s contradictory actions. Overnight interest rates were kept low at 1 per cent for over four years until, aiming to stimulate the sluggish Canadian economy by stimulating consumption, they were lowered twice more in 2015 to the current 0.5 per cent. However, by late 2015, household debt has become recurring headline fodder for doomsayers and skeptics alike. Indeed, the growing concern over Canadians’ debt is evidenced by the editorial space the print media has begun to dedicate to it. In May 2015, for example, national newspaper The Globe and Mail presented a week long series, ‘*In deep: the high risks of Canada’s growing addiction to debt*’, on household debt, its (debated) causes and perils. On May 9 the same newspaper featured, in its Business section, a four-full-page article on the topic. In Vancouver, newspapers now regularly publish articles detailing the state of unaffordability in local housing markets, the high levels of household debt, and tips for maintaining strong personal finances.

Even as the national mainstream media have begun to take serious note of escalating Canadian household debt and debt-to-income burdens, media, political and institutional commentators debate the true danger of such debt trends. Some argue that currently low interest rates are exerting a temporary and superficial tempering effect on debt-servicing costs, and that a painful housing market correction is imminent, with devastating consequences for Canadian debtors – particularly those holding large mortgages. Others maintain that interest rates will rise gradually when the economy is healthy, and as net worth has kept abreast of debt hikes, borrowers have a soft cushion upon which to tumble in the (unlikely, in their opinion) event of asset devaluations (see for example, Cross, 2015).

Meanwhile, less vested international institutions have demonstrated greater and consistent concern over high and rising Canadian household debt levels. In February 2015, the McKinsey Global Institute issued a report placing Canada among a group of 7 nations whose debt levels they deemed worryingly unsustainable. In October 2015, Moody's Analytics and The Economist magazine both voiced concerns over high and (in their view) unsustainable Canadian household debt loads (CBC, 2015b; The Economist, 2015). The International Monetary Fund (IMF) has been issuing warnings over Canadian household debt and housing markets since at least 2012 (Isfeld, 2012; The Canadian Press, 2014; McMahon, 2015), and in November 2015 the Organization for Economic Cooperation and Development (OECD) chimed in with warnings over high debt-to-income levels and the need for tighter mortgage lending in Canadian housing markets facing risk of correction (Evans, 2015).

Canada certainly does not stand alone in its household debt gains. Many countries, developed and developing, have experienced high indebtedness and low rates of saving since the 1990s (Hull, 2003). Since 2007, according to McKinsey Global Institute (2015), 80 per cent of

countries have seen growth in debt. However, between 2006 and 2013 Canada saw the greatest increase (30 per cent) in household debt-to-income ratios among all Group of 7 (G7) countries, with double the growth of Italy, which had the second-greatest such growth (Sheikh, 2015). From 1990 to 2009, debt levels in Canada grew faster than disposable income, as household debt-to-income ratios rose from 85 to 148 per cent over that period (Hurst, 2011; Werner et al., 2015).

In Vancouver, where household debt levels are the highest in the country and the 2009 household debt-to-income ratio of 266% easily surpassed the 2010 national average of 148%, a housing affordability crisis is gripping the CMA (Walks, 2013a). Stakeholders and commentators, including real estate agents, the Real Estate Board of Greater Vancouver, politicians, researchers and citizens, variably attribute the crisis to escalating speculation in real estate and (suspected) increased foreign ownership; financial deregulation and a period of loose lending standards from 2006 to 2008; low density housing stock particularly in expensive westside neighbourhoods like West Point Grey, Dunbar and Shaughnessy; and physical limitations to new land development caused by the city's natural borders of the Coast Range (North Shore) mountains, the Pacific Ocean and the protected Fraser River Delta agricultural zone to the south (Boddy, 2004; Walks, 2014, McKinsey, 2015). These processes are enhanced in the context of population growth – forecast to increase by 1.2 million from 2009 to 2041 (Metro Vancouver, 2009).

As debates rage over the causes of the affordability crisis, it is clear that the newest entrants to the housing market – often young households – are forced to take out increasingly inflated mortgages to gain access, pushing prices even higher. Home prices in Metro Vancouver increased 25 per cent from 2006 to 2015 alone, with a 2015 average home price of \$748,651 –

\$1.197 million for detached homes (UBS, 2015; The Economist, 2015). Indeed, mortgage debt constituted 80 per cent of the national household credit growth from 2014 to 2015, and in Metro Vancouver it constitutes approximately two-thirds of overall household debt (Tal, 2015; Equifax, 2015). While this scenario suggests an alarming precarity for Vancouverites with large mortgages, such households arguably hold some security through their new housing assets. What safety nets exist for non-homeowning borrowers who take on, though not the highest, significant and rising levels of consumer debt to maintain their consumption levels in times of difficulty and an increasingly unaffordable CMA? How are the advantages and disadvantages, and associated stresses, of indebtedness variably distributed and experienced across space and between socio-economic groups?

With this thesis I aim to follow the example of critical scholars of society, space and finance in re-centering everyday life and the heterogeneity of experience of which it is composed for household borrowers in the late 20th and early 21st centuries (Lefebvre, 2003; Langley, 2008). Everyday life is not merely a mundane descriptor or passive sphere of action, but a crucial analytical category. Indeed, it is an arena in which the effects of macro-scale transformations – globalization, the neo-liberalization of states, and the financialization of economies – take root and are rendered observable. However it is also more. The agency and actions of savers, borrowers and consumers – both passively absorbing and actively resisting larger scale powers and processes imposed upon them – in turn affect political and economic outcomes. Further, rather than separating (and discarding) the emotional from ‘rational’ (or strategically calculated) motivations for financial choices, this thesis examines the emotional motivations and experiences of indebtedness for borrower households. How do emotional motives interact with societal pressures and individual financial strategy to produce the borrowing outcomes that constitute the

record-setting household debt levels observable in Canada today? If the most vulnerable households are struggling financially, emotionally or physiologically (for these are inextricably intertwined) under the weight of their debts, attention should not be trained solely on the moment of default and crisis but shifted to the newly typical and mundane experience of deep indebtedness in 21st century Canada. This thesis attends to these most vulnerable households, left behind in a neoliberalizing system that (no matter how illusorily) hinges more and more of life's security on homeownership – itself reverting back to a class-based privilege in some of Canada's largest cities.

The study takes Metro Vancouver as its case study. Vancouver is the most indebted city in Canada (Walks, 2013b). In 2010 it was ranked the least affordable city in the Anglo-American countries,¹ and in 2015 the Economist ranked it the most expensive North American city in which to live (Demographia, 2010; Walks, 2013b; The Economist, 2015). Metro Vancouver (alongside Greater Toronto) has one of the hottest and most overvalued housing markets within Canada – so hot in fact that Swiss financial services firm UBS ranks it the fourth most overvalued housing market in the world after global cities London, Hong Kong and Sydney (UBS, 2015). Thus, within and without Canada, the leveraged financial positions of Metro Vancouver households are deemed newsworthy. The variable financial, economic, political and social similarities that Vancouver – independently and as part of Canada – has to other global cities, Anglo-American nations and advanced economies situates it as a particularly valuable case study for examining household indebtedness in the 21st century.

¹ Anglo-America in this case consists of Canada, USA, UK, Ireland, New Zealand and Australia (Demographia, 2010).

1.1 Aims and Research Questions

With this study I aim to understand the social impacts and behavioural dimensions of rising debt levels, including the effects of indebtedness on everyday lived experiences (including emotional and stress responses) as well as coping strategies adopted by debt-holders. I further aim to understand the ways in which normative discourses influence indebted Vancouverites' perceptions and performances of their own indebtedness. To realize these aims, I explore the following sets of questions:

- 1) What is the spatial distribution of household debt and debt burden (operationalized using debt-to-income ratios) at the neighbourhood level in Vancouver CMA, using Forward Sortation Areas (FSAs) as the unit of analysis, and how has it changed in recent years (2007 to 2012)?
- 2) What are the structural and immediate (local and individual) causes of high household indebtedness?
- 3) What are the emotional, stress, and lived experiences of high indebtedness among residents of Vancouver and what coping strategies do households employ to deal with high debt stress?
- 4) What services do indebted households need to help prevent, cope with, and solve high indebtedness?

Question 1 will be addressed through a quantitative examination of household debt and income data acquired from the Canada Revenue Agency's (CRA) 'taxfiler' database, Equifax Canada and Environics Analytics for the years 2007 to 2012. To this end I employ data visualization *via* the generation of choropleth maps; Questions 2 to 4 will be addressed through a review of existing academic and institutional literatures, and an examination of qualitative data, pertaining to experiences of carrying debt, gathered primarily from testimonies by residents of Metro Vancouver who have self-identified as having experienced debt stress between 2000 and 2015. Additional expert interviews with credit counselors complement the testimonial data.

The thesis is organized as follows. Chapter 2 begins by offering a brief overview of the critical academic literature concerned with the changing causes, consequences and dynamics of household debt and indebtedness in the late 20th and early 21st centuries, and serves to define the theoretical foundations of the study. It engages especially with existing political economic and cultural geographic approaches to understanding consumer debt in the years leading to and immediately following the Global Financial Crisis, with an emphasis on the roles of financialization, securitization and changing systems of mortgage finance. Chapter 3 provides an overview of major findings of existing institutional reports that examine Canadian household debt and its geographic and social distribution. It presents the data, methods and results of a preliminary and exploratory mapping exercise that considers the changing spatial distribution of household debt across Metro Vancouver's Forward Sortation Areas (FSAs) from 2007 to 2012. Chapters 4 and 5 present and discuss the methods used in and key findings of a qualitative, interview-based study of the lived experience (and causes and consequences) of indebtedness. The final chapter concludes with summary remarks, policy recommendations, and reflects on the study's limitations.

Chapter 2: Review of the Literature

Debt and credit – two sides of the same coin – have captured literary and scholarly-minds over centuries and across disciplines. A valuable and coherent body of work has amassed to explain the varied use of credit across locations and social groups. However as the 21st century progresses and patterns in the production, types and uses of debt change, so must the research foci and explanations for government, corporate and household debt use change. Today a fascination with debt in popular culture (Joseph, 2014) is accompanied by a large and varied body of social science scholarship attending to debt and indebtedness, with numerous recent publications in geography (Aalbers, 2008; Wyly, Moos, Hammel, and Kabahizi, 2009; Martin, 2011; Kear, 2013; Walks, 2012), economics (Barba and Pivetti, 2009), political science (Hyman, 2012), sociology (Krippner, 2005; Cook, Smith and Searle, 2013; Dwyer, Hodson and McCloud, 2013), and anthropology (Peebles, 2010; Graeber, 2011; Maurer, 2012). This chapter sets the broad context within which research examining debt in the post-Global Financial Crisis (GFC), Anglo-American world must be considered. It critically evaluates recent scholarly literature and demonstrates the value of the present (primarily) qualitative study of the lived experiences of household indebtedness in Metro Vancouver, British Columbia. The following review is selective, intentionally focusing on areas of scholarship that aid in understanding 20th and 21st century changes to saving and borrowing and the implications of such changes for everyday households.

2.1 Debt in 20th Century Anglo-America

The usage of debt and credit, through unprecedented (debt-fueled) access to home ownership and the advent of third-party credit cards, underwent a major transformation following the (1930s) Great Depression, particularly in the Western world (Montgomerie, 2006). This transformation,

here summarized (with credit to the work of K.F. Gotham (2012)), is the basis for many of the critical social science examinations of debt and indebtedness produced in the past two decades.

The United States is a common case study. The 1930s New Deal financial reforms, enhancing federal government involvement in mortgage lending, played an important role in laying out the limits and parameters of mortgage lending and housing debt until changes and deregulation began in the 1960s to 1980s (Gotham, 2012; Bélec, 2015). The reforms aimed to increase homeownership levels (and affordability) and marked the creation of now familiar standard guidelines for mortgage terms, including long amortization periods and low interest rates (Gotham, 2012:34-5; Bélec, 2015). Legislation encouraged economies of scale in home building and mortgage lending by making mortgage borrowing more financially feasible for borrowers and more attractive to lenders by federally insured mortgages. The Housing Act of 1934 and the creation of the Federal Housing Administration (FHA) led to the establishment of the modern American mortgage insurance system by protecting private lenders and savings and loan associations (SLAs) against losses on mortgages that met new term and rate requirements (Gotham, 2012:33). It was the advent of a standardized, national mortgage system, wherein risk was shifted from private lenders to the federal government (Gotham, 2012:34-5).

The Housing Act allowed for the creation of a secondary mortgage market composed of private and national mortgage associations that would allow investors and mortgage originators to buy and sell mortgages as bonds or securities backed by the value of the mortgage loan, thus freeing up capital (enhancing liquidity and increasing lending) for new mortgage loans (Gotham, 2012:34). To this end, the FHA in 1938 chartered what would become the Federal National Mortgage Association ('Fannie Mae') (joined in 1970 by competitor 'Freddie Mac' – the Federal Home Loan Mortgage Corporation) (Gotham, 2012:34). The primary mortgage market was

meanwhile constricted to highly localized and tightly regulated mortgage lending directly between borrowers and originators, primarily through SLAs' lending deposits – based (by the 1950s) in the wages of a booming industrial economy (Gotham, 2012; Wyly, Ponder, Nettling, Ho, Fung, Liebowitz and Hammel, 2012:580). These changes were effectively duplicated in Canada in the same period through the Dominion Housing Act (1935), the National Housing Act (1938) and the creation of the Canada Mortgage and Housing Corporation (1946) (Bélec, 2015:341).

The Glass-Steagall Act (1933, repealed in 1999), the Securities and Exchange Act (1935) and the Banking Act (1935) were created as regulatory measures to separate commercial bank operations from insurance activities and maintain localized mortgage markets by geographically limiting mortgage lending activities (Gotham, 2012: 34). These regulations were intended, in part, to shield housing finance from the more volatile national financial system, to oversee and regulate banking operations, and to protect households' savings deposits (lent out as mortgages) in case of bank failures (Gotham, 2012: 35). According to Gotham (2012: 35), “*By the mid-1950s, a system of specialized mortgage finance institutions had become a ‘second banking system’, controlling a huge pool of resources and functioning under the jurisdiction of the federal government*”. Between 1930 and 1970 homeownership rates rose from 48 to 63 per cent of households (Gotham, 2012:36). It was in some sense the fabled ‘golden age’ of the American dream of homeownership for those deemed worthy of participation (Montgomerie, 2006; Wyly *et al.*, 2012:580).

2.2 Neoliberalism, Restructuring and Deregulation

Expanded access to both homeownership and mortgage credit (and debt), particularly in the secondary market, led to the normalization of debt-fueled consumption and the understanding of

homeownership as a relatively risk-free investment for acquiring wealth; wealth to be extracted or enjoyed through downsizing or reduced expenses in retirement (Aalbers, 2008; 2012; Gotham, 2012). Life Cycle Theory, popular since the late 20th century, reflects these patterns and beliefs. It predicts rising levels of debt over the life course until middle age, when debt declines as mortgages amortize. It has long been evoked to explain the differences in debt levels across age groups and family types. However changing patterns and magnitudes of debt use (for example the generalized post-1980s explosion in household debt across industrialized countries) and dramatic changes to socio-political and economic contexts in Anglo-American states since the 1970s and 1980s have called the applicability of this theory into question (Langley, 2008a).

It is now widely accepted by critical scholars (*e.g.*, Martin, 2002; Langley, 2008a, 2008b; Montgomerie, 2006; Lapavistas, 2010; Joseph, 2014) that questions of household indebtedness in the late 20th and early 21st centuries must be examined in the context of neoliberalization and globalization. Post-1970s industrial restructuring in Anglo-American nations has displaced secure industrial jobs, placed downward pressure on wages, weakened collective bargaining and caused a surge in service-sector, low-wage, temporary, part time and contract-based work (*i.e.*, ‘precarious’ work) (Montgomerie, 2006; Soederberg, 2010). These processes have, under neoliberal government programs, been accompanied by a reduction in state-funded social security programs such as unemployment insurance and state-funded retirement pensions. Collectively funded welfare states have been variably replaced by increased emphasis on individualized and investment-based sources of financial security (Langley, 2008b; Castree, 2010; Soederberg, 2010; Joseph, 2014). Access to consumer credit in Anglo-America has increased concurrently and critical scholars even argue this increase to be strategically intended to prop up, in the context of money-strapped blue-collar households, consumer markets for

goods whose manufacturing has been moved offshore to lower production costs (Montgomerie, 2009; Castree, 2010). Amidst such changing socio-economic contexts it is no longer clear by default that life cycle theory alone can account for changing patterns of household debt and its variation across social groups.

Some governments (see for example Finlayson, 2009 and Montgomerie & Budenbender, 2015 on early 2000s New Labour policies in the United Kingdom) have formally (if partially) turned to an individually responsabilized system of welfare provision. One such policy orientation is Asset-Based Welfare (ABW), wherein access to homeownership (and other assets) is promoted over direct provision of social services, with the expectation that rising asset values will provide equity that can be withdrawn in times of need (some term this ‘welfare-switching’) (see Smith, Munro and Christie, 2006; Mortensen and Seabrooke, 2008; Parkinson, Searle, Smith, Stoakes, and Wood, 2009; Wood, Parkinson, Searle and Smith, 2013). Previously housing wealth was generally ‘unlocked’ in later stages of the life course, as predicted by Life Cycle Theory (Finlayson, 2009; Wood *et al.*, 2013). Indirect forms of individualized security entail the encouragement of pension-fund and other investment participation through unions, employers, and citizen-investors (Martin, 2002; Soederberg, 2010; Joseph, 2014). A Canadian example is government emphasis on contribution limits in savings and investment vehicles such as Registered Education Savings Plans, Registered Retirement Savings Plans and Tax-Free Savings Accounts.

It is unclear whether such forms of security-provision are secure, sustainable and adequate. In the case of ABW, equity extractions (effectively loans, most commonly through mortgage re-financing and Home Equity Lines of Credit (HELOCs)) are vulnerable to default risk in moments of job loss or housing market recession (wherein housing values can fall below

the value of outstanding debts). In Canada, where benchmark interest rates have been kept near zero since the onset of the GFC in 2008 and housing markets are considered overheated, equity extractors are vulnerable to rises in benchmark interest rates and drops in housing prices (Middlemiss, 2015). In overheated markets, entrants are forced to take-on large mortgages and may have minimal equity for significant periods (Walks, 2010). Of equal concern is how renters and other non-homeowners manage to fund everyday and emergency expenses without home equity in the context of limited social service provision and stagnant real wages.

2.3 Securitization, Financialization and Crisis

While scaled-back social-safety nets and changing social norms are critical in understanding demand-side factors behind increased credit use, critical scholars also attend to supply-side factors driving rising 21st century credit consumption in Anglo-America. In the US, increased mortgage securitization stemming from the New Deal reforms and financial market innovation from the 1970s onward dramatically increased access to both homeownership and debt (Gotham, 2012). Regulatory changes in the 1970s and 1980s made asset securitization (the creation of asset-backed securities (ABS) including mortgages (MBS)) easier and more attractive for lenders and investors (Langley, 2006; Gotham, 2012). Securitization is a process by which non-tradable (illiquid) assets (such as credit card or mortgage debts) are made tradable (liquid) on financial markets through their transformation into exchangeable asset-backed debt instruments (Bank of Canada 2009b). It effectively allows lending institutions to package and sell loans of similar quality (risk) to investors in financial markets (often with investment banks and private trusts as intermediaries and underwriters) (Wyly *et al.*, 2012:333; Wyly, Moos, Hammel and Kabahizi, 2009). It is attractive to lenders, who are able to move loans off-balance sheet, freeing up capital for the origination of new loans with new fee- and interest-based profits (and shifting risk

associated with loans to risky borrowers). Critical scholars consider it a major element in the transformation and financialization (addressed in the following section) of mortgage markets and expanded credit access since the 1980s.

In the United States a late-1970s liquidity crisis developed in the Savings and Loan industry, produced by economic downturn and a ‘maturity mismatch’ between long-term mortgage amortizations and the short term and uncertain nature of the savings deposits that funded them. Fannie Mae and Freddie Mac injected capital into the housing finance system by expanding their mortgage purchasing and securitizing activities, and a series of regulatory changes and innovative mortgage instruments aimed to remedy the maturity mismatch (Gotham, 2012:36). Corporate and institutional investment funds (investments) were drawn into mortgage finance on a new and expanded scale (Gotham, 2012:36). Legislation in the 1980s terminated certain New Deal regulations that separated commercial and investment bank activities (to limit system risk), leading to a rise in speculative banking and widespread commercial bank and SAL failures, signaling a decline in deposit-funded mortgages (Gotham, 2012:37). The volume of mortgage originations greatly increased as new legislation encouraged securitization. Mid-1980s legislation allowed the pooling of mortgages into risk-based categories and continued (and increasingly complex) innovation in financial instruments, contributing to the increased attraction of non-financial corporation investors (domestic and international) to MBS markets over the subsequent two decades. Once localized residential real estate markets had become deeply implicated in global financial markets by the early 2000s (Gotham, 2012:39).

2.4 Securitization in Canada

Canada has also undergone processes of austerity, industrial restructuring and the rise of the service sector, and asset (debt) securitization. Mortgage securitization came to Canada in the

1980s through the Mortgage-backed Securities (MBS) program, which purchased, packaged into MBS, and sold to investors Canada Mortgage and Housing Corporation (CMHC)-insured mortgages (Walks, 2014:263). The program left little risk for investors and lenders, as the federal government backed all MBS through CMHC. However, the Canadian securities market remained underdeveloped until stimulated (federally, to stimulate mortgage lending and housing appreciation) by the 2001 Canada Mortgage Bond (CMB) program. The new Canada Housing Trust (CHT) sold non-amortizing CMBs to investors to raise federal funds for the purchase of CMHC-guaranteed MBS from lenders, allowing banks to free up capital reserves for new lending (Walks, 2014:263). Whereas in the US securitization placed risk on private banks originating mortgages, in Canada risk was placed in the hands of citizens (as taxpayers) (Walks, 2014). The CMB program drove real estate appreciation and cheap lending, but the benefits were unevenly distributed, as borrowing rates changed little (and mortgages grew). Changes in 2006 to the NHA, enhancing borrower risk, relaxed eligibility requirements for federal mortgage insurance (allowing 40-year amortizations and zero per cent down-payments) (Walks, 2014). American mortgage insurers entered the Canadian market and, expecting increased demand from new competition, CMHC agreed to guarantee new privately insured mortgages (Walks, 2014). Mortgages became riskier and households struggling to make payments were left unprotected while lenders were sheltered by CMHC (Walks, 2014: 261).

Mortgage securitization swiftly increased, and as in the US (Aalbers, 2012), resulted in reduced lender concern over borrowers' ability to repay (clearing the way for subprime lending). According to Walks (2014:265), from 2006 to 2008 outstanding mortgage credit increased by one third, to \$838 billion. As the credit crunch tightened in the United States, securitization of mortgages pushed Canadian real estate prices and bank profits higher. As the Asset-Backed

Commercial Paper market crashed in the US, the Government and Bank of Canada protected Canadian banks by injecting liquidity through increased CMB purchases of MBS (Walks, 2014:266). In 2008, the global credit crunch caused Canadian lending to slow, real estate values to decline, market exit of private mortgage insurers, and rising unemployment (to 8.7%). The government responded to bank losses by reinstating strict lending standards and continued to guarantee new debt issued by Canadian banks. While there was an initial small decline in housing prices (nationally), this proved to be short-lived and prices have continued to climb, beyond their 2008 peak, since 2010. Canada is in 2015 considered by many sources (for example the IMF) to be experiencing a housing bubble (IMF, 2015). While the driving factors are complex and debated, most agree that housing appreciation is significantly driven by debt-fuelled borrowing in a (so far) persistently low-interest rate environment, leaving many mortgagors vulnerable to eventual rate increases and sudden price corrections (Kirby, 2014; Middlemiss, 2015).

Much attention, particularly since the onset of the GFC, has been paid to processes of securitization and financial innovation, with some coincident attention to their influence over household debt levels and use. A majority of scholarship has been dedicated to examining mortgage markets' intersections with global financial flows (see above). Other research reveals at least two other processes through which household debt use has been transformed through securitization and financialization (*e.g.*, Montgomerie, 2006, 2009; Langley, 2008b; Soederberg, 2010, 2013). The first involves the securitization of non-mortgage consumer debt, while the second implicates working households in domestic and international financial markets through the scaling back of welfare state and corporate retirement pension systems and their replacement with pension investment funds (Soederberg, 2010).

Credit card debt levels grew rapidly after the mid-1980s in the United States, Canada and other Anglo-Saxon nations (Montgomerie, 2006, 2009). The American credit card industry was created in the post-war period but its expansion was limited (similarly to the secondary mortgage market) by regulations intended to prevent the spread of risk by isolating the real economy from the financial sector. Until 1980s deregulation lenders considered the credit card industry “*high risk and low profit*” (Montgomerie, 2006:308). Critical scholars suggest that the industry’s post-1980s growth was driven (in combination with increased demand for credit due to neoliberal policies’ downward pressures on wages) by asset securitization. As with MBS, securitizing credit card receivables frees up capital for the extension of new credit (Montgomerie, 2006). Profitability is increased through securities issuance and the surplus fees and interest payments generated from greater volumes of credit extended. Profitability is also increased as the mortgage or credit transaction is increasingly ‘unbundled’ through securitization – with various components, such as the processing of borrowers’ repayments, are spread across more (profiteering) financial industry actors. Late fees, for example, became a significant source of revenue for certain industry actors, rather than interest payments (DeYoung and Rice, 2004; Lawless, Littwin, Porter, Pottow, Thorne and Warren, 2008; Warren and Gottlieb, 2008; Dymski, 2012). This profitability, attracting non-financial firms (particularly large MNCs) to enter as lenders, created increased competition, leading to falling borrowing costs and growth in the credit card market (Montgomerie, 2006). Credit card securitization thus ties household funds, debt and specifically their everyday *consumptive* actions to financial markets (Montgomerie, 2006; Langley, 2008b).

‘Pension securitization’ further implicates household indebtedness in global financial markets, though less directly (Soederberg, 2010). Austerity measures have in many Western

nations resulted in retractions or reformulations to government-funded retirement pensions at the same time that employer-provided pensions have become scarce. Employer- and state-provided pensions are increasingly constituted through collective pension funds that invest in, often, private corporations. Thus workers, upon whom the responsibility and risk of providing old age income has been shifted, have become dependent on and vulnerable to markets, the economic performance of such companies (who profit from funds' investments), and the timing of their retirement for their future security (Soederberg, 2010:7). If pension income, in combination with savings and other resources, is inadequate, retirees may turn to consumer credit (by which lenders profit) to fund their consumptive needs. With financial deregulation and innovation, pension funds have also increased investments in ABS, including those composed of households' mortgage and credit card debts – profiting from household indebtedness (Soederberg, 2010). In effect, pension funds constitute a market that supports the increased indebtedness of workers – indirectly implicating workers in their own exploitation (Soederberg, 2010). Even outside of such collective pension schemes, workers are increasingly encouraged, under neoliberal governance regimes, to take 'responsibility' (as individuals) for their future economic security by investing their own savings and 'watching them grow' (Martin, 2002; Soederberg, 2010; Langley, 2008a, 2008b). Thus workers' consumption before and during retirement is deeply implicated in financial markets, processes of securitization and financialization, and household indebtedness.

2.5 Financialization and Crisis

Insofar as household debt appears in contemporary and critical scholarly literature, including the narratives summarized in the preceding sections, it is primarily visible in two over-lapping bodies of work: that interested in financialization as an analytical tool and phenomenon for

study, and that seeking to explain the causes and consequences of the United States sub-prime mortgage crisis (SMC) and subsequent GFC (see for example Martin, 2002; Krippner, 2005; Langley, 2006; Langley, 2008a; Aalbers, 2008; Lapavistas, 2009). Definitions and meanings attributed to financialization vary. However, at its most basic level financialization refers to a process associated with neoliberal capitalism by which firms acquire profits principally through financial markets rather than trade and commodity production, and involving increased autonomy for the financial sector (Krippner, 2005; Montgomerie, 2006; Aalbers, 2008a; Lapavistas, 2009; Walks, 2013a). Financialization, invoked variously as a process to be examined and an analytical concept itself, is considered both a framework for understanding neoliberal capitalism and a process (or set of processes) that has permeated global and domestic economies and the spheres of daily life.

Academics have drawn on various theoretical frameworks, including Actor-Network Theory (ANT), Foucauldian governmentality and Marxist theory to understand the micro- and macro-scale consequences of financialization in institutions, corporations and everyday life (Martin, 2002; Langley, 2006; Aalbers, 2008; Langley, 2008b; Lapavistas, 2009; Aalbers, 2012). Though this thesis is chiefly interested in household debt itself, this work bears some critical attention as it represents both a crucial scholarly and empirical context and an important source of information for understanding contemporary lending and borrowing practices. The following sections briefly review the major contributions of financialization scholars to these literatures and their value in understanding changing patterns of household debt use. Work conducted (broadly) in the Marxist Political Economy (MPE) tradition is reviewed first, followed by a consideration of cultural geographic approaches, broadly defined.

2.6 Marxist Political Economy Reactions

Marxist Political Economy (MPE) studies of financialization and the processes and events leading to the US Subprime Mortgage Crisis (SMC) and GFC (significantly overlapping literatures) constitute a substantial portion of critical and scholarly accounts relating to household debt over the past two decades. These primarily focus on the financialization of mortgage markets and thus pertain mainly to mortgage debt. The narratives, summarized above, of 20th century changes to saving and borrowing and housing finance with the creation and evolution of debt securitization have been significantly contributed to and developed by such scholars (*e.g.*, Gotham, 2012; Aalbers, 2012; Montgomerie, 2006, 2010; Soederberg, 2008; 2010; Wyly, *et al.*, 2009; Lapavistas, 2008). Through applications of Marx (1973), Lefebvre (2003) and Harvey's (1978; 1985) theories to financialization, securitization, subprime lending and housing finance more broadly, they theorize the implications of these phenomena for economic crisis. Gotham (2012), for example, conceptualizes financialization as a new (quaternary) stage in the process of Lefebvre and Harvey's model of capital switching, wherein capital surpluses flow from one sector of the economy to another for greater profit making or temporary avoidances of crises of accumulation (Harvey, 1978; 1985). Quantitative analyses by Wyly and colleagues (2009; 2014) elevate the spatial, social and racial dimensions of risk-based predatory and subprime mortgage lending (greatly expanded in the years leading to the US housing crisis that it sparked). They recast subprime lending as a veiled reiteration of (Harvey's, 1974) class-monopoly rent concept, which represents landowners as a class with monopoly price-setting power over their rental lands. 'Subprime' homeowners are understood as only symbolically able to access such powers through subprime borrowing while in fact, "...*paying rent to a new landlord, subprime mortgage capital*" (Wyly *et al.*, 2009:338; Wyly *et al.*, 2012). These scholars expose financialization, *via*

securitization, as interacting with mortgage markets and (increasingly insecure) indebted homeowners' to generate profit and precipitate crisis (Harvey, 1985; Aalbers, 2012;).

Marxist scholars have shed light on the central role of institutions (financial and non-financial firms and governments) in 20th and 21st century financialization, regulatory change, financial crisis formation, and associated consumer indebtedness (Montgomerie, 2006; Lapavistas, 2009; Soederberg, 2010; Gotham, 2012). Government 'deregulation' and lack of state oversight over (often risky) financial innovations are often cited as a primary cause of the US SMC (Immergluck, 2009; Gotham, 2012). Marxist scholars have challenged the partiality of this narrative, pointing to the state's role (outlined briefly above) in facilitating the expansion of securitization, noting that:

Deregulation does not mean withdrawal of the state from regulating society. Nor does... [it] suggest or signify a reduction or diminution of state power and authority...deregulation is a conscious policy decision that reflects an application of state power... to enable-actors in markets to engage in profitable exchange (Gotham, 2012: 41).

Montgomerie (2006) and Lapavistas (2009), targeting firms and banks, offer that financialization and the opening of national economies to global financial markets since the 1980s have given large enterprises new sources of finance, thus reducing their reliance on national or private banks for lending. This has incentivized banks to improvise new profit-making strategies such as predatory and subprime lending and securities-oriented financial innovation. Soederberg (2010), engaging with Marx's treatments of fictitious capital, adds that neoliberal state governance has facilitated financial and non-financial corporations' profiteering by encouraging cheap and well-disciplined labour forces that increasingly rely (in the absence of wage growth and generous social security provisions) on consumer credit for their consumptive needs. Regulations

facilitating securitization allow corporations to profit through investment in workers' increasing indebtedness.

Soederberg (2010, 2013), Montgomerie (2006), Aalbers (2008, 2012) and Lapavistas (2009) are representative of MPE contributors that place the exploitative class relations of financialization and securitization at the centre of analysis. In doing so they attend, in addition to those who cause and shape indebtedness, to the subjects that experience indebtedness. Aalbers (2008) makes the significant claim that the SMC resulted from the financialization of mortgage markets *and* homeowners, wherein capital is extracted from mortgagors to financial investors as mortgage markets continually expand to reach more and riskier borrowers, pushing housing prices higher and correspondingly inflating mortgages.

Soederberg (2013; 2010:15) attends to non-mortgage ABS (*e.g.*, credit card securities and pension investments in ABS), presenting pension securitization (discussed above) as, “...*attempt[s] to absorb and displace over-accumulated capital through the credit system.*” In this approach, the credit card industry, fictitious capital and uncapped interest rates serve as class violence against (Marx's category of) the surplus population. She underlines the financial system as a produced space wherein finance, its products and crises are, “*wholly abstracted from the wider processes, including class struggles, involved in its creation and re-creation*” (*Ibid.*:12). Financial markets are abstracted as separate from the ‘real’ economy, where infallible scientific expertise is more rational and efficient than the state, and workers are not meant to understand the technical ways in which their pension fund investments increase in value, distorting the linkages between workers' exploitation and the generation of interest income (Soederberg, 2010:12). Montgomerie (2006) goes furthest in understanding securitization as implicating

households in financial markets not only through pension and real estate investment but *via* expanding credit card industries, through their consumptive actions as well.

While these analyses are valuable contributions for understanding both the changing drivers of conflict and crisis and macro-scale, structural transformations that contribute to household indebtedness, and have dramatic implications for borrowers that are drawn at seemingly any cost into expanding mortgage markets, they do not offer close examination of these exploited populations. They are limited in their interest in and representations of individual debtors as obfuscated or homogeneous masses, workers whose financial identity (Langley, 2008b) is framed only in their labour force participation and (occasionally) investment activities. Wyly *et al.* (2009) attempt to reveal racial inequities and group differences by analyzing race *and* class in subprime lending activities. For example, they demonstrate that leading to the SMC, subprime lending was targeted to racially and ethnically marginalized communities to an extent that cannot be explained simply through the dictates of risk-based pricing. However they largely stand alone in such considerations. Marxist Political Economy perspectives are thus crucially valuable in understanding the macro-scale, structural and institutional-levels forces driving and shaping patterns and experiences of household indebtedness. However, they are limited in their ability to shed light on households' roles in transforming saving and borrowing practices, on experiences of indebtedness, and on the penetration of financialization and indebtedness into everyday life.

Marxist scholars do sparingly consider the implications of financialization on the financial realms of everyday life experiences. For some, this intersects with late 20th century welfare state retrenchment (and the rise of neoliberalism), wherein new investor-subjects are argued to have been produced through discourses encouraging private citizens to 'take

responsibility' for their economic futures by participating in financial markets themselves (Lapavistas, 2009). They link household consumption (through credit) to (risky) financial markets and homeownership to household debt (Montgomerie, 2006). Lapavistas (2009:116) posits that these processes, through the promulgation of the concept of 'risk' into the mainstream, lead to broader cultural shifts wherein, "*financialisation...has allowed the ethics, morality, and mindset of finance to penetrate social and individual life*". Beyond profiting from the administration of loans and sale of securities, banks have profited from this cultural transition by offering financial services to investor-citizens (*i.e.*, amateur 'home' investors) at a cost (Lapavistas, 2009). Personal income is extracted from workers and transformed into financial profit, leading to the emergence of a new class of rentiers (financial institutions) who, in times of crisis, become usurious. Simultaneous rises in access to credit and costs of entry into housing markets may lead to increased indebtedness without any tangible benefits beyond a transfer of wealth from workers to rentiers (Lapavistas, 2009; Walks, 2013b).

While these examinations of financialization and securitization, and the US housing crisis are valuable interventions into mainstream discourse and understandings of the financial crisis, their focus tends not to be on debt *per se*, but rather on lending and government regulation. They offer explanations of the institutional and structural factors underlying the sub-prime mortgage crisis, but say little about the borrowers that assumed the risk and financial burden associated with ABS. Who and where are these borrowers, and how might they be variably affected by these processes of financialization? Cultural geographic approaches, paying greater attention to the discursive and cultural production of financial subjectivities, are better placed to address these questions, and are valuable given this study's interest in everyday life.

2.7 Cultural Approaches to Debt and Finance

Cultural geographers and social scientists agree that mortgage, credit card, and pension securitization have manifested broad transformations in saving and borrowing that impact (and are influenced by) the everyday lives of borrowers, brought into ever closer and more vulnerable contact with financial markets, and increasingly reliant on debt. Engaging with Foucauldian and Actor-Network theories to employ and examine financialization, these scholars seek to reveal, more so than their MPE peers, the ways in which ‘financial logic’ penetrates everyday life (Martin, 2002; Langley, 2006, 2008, and see Hall, 2011). Work in this broad sub-literature centers (discursive) financial subject formation, emphasizing new financial subjectivities that have appeared with financialization and neoliberalization over the last several decades. Scholars (Martin, 2002; Langley, 2006; 2008b) understand this subject formation to occur through the normalization of discourse surrounding individual responsibility (for example, of working responsibly to pay for one’s home), which has evolved in recent years to include a duty to engage in investment for securing one’s financial future.

Though valuable, cultural economy approaches to financialization and indebtedness remain underdeveloped (Hall, 2011). Two major contributors have been Randy Martin (2002) and Paul Langley (2006, 2008a, 2008b). In his 2002 book, *Financialization of Daily Life*, Martin analyses a variety of self-help literature that advises private individuals on why and how they should avail themselves of financial calculations and risk management strategies to harness the power of the financial markets. Through these, and through credit scoring, daily life is financialized. He asserts that despite the rise of risk calculation, prediction and management strategies since the 1980s, home investors (neither are ‘experts’) are not able to manage financial market risk, uncertainty or volatilities, and that low-income individuals with debt and little

savings are the least equipped to do so. This relates to a critique of the shift to neoliberal austerity, which leaves citizens fewer resources to cope with added risk (Martin, 2002; Langley, 2006; 2008a).

Using ANT and (neo-)Foucauldian theory, Langley (2006; 2008b) furthers the notion that contemporary finance in Anglo-American capitalism is constituted in everyday life, and elucidates the interdependencies (formed through securitization) between, “*everyday borrowing and saving*” (2006:284) and capital markets. He draws on the concept of performativity to consider, “*the making of self-disciplined financial subjects*” (290) and the ways in which these subjects are evoked even in everyday spaces, such as the home. He problematizes the tensions that he sees forming from the contradictions between the multiple financial subjectivities (workers, savers, investors, consumers and borrowers) that individuals are called upon to perform simultaneously (2008b).

Excepting earlier works (which were among the first to draw critical attention to growth in use of MBS in the US), discussions of new investor-subjects and the rhetoric of individual responsibility for personal financial health are also set in relation to the US subprime mortgage crisis. Discourses engendering (liberal) individual responsibility are understood to pressure vulnerable populations to pursue homeownership and bolster the power of mainstream media and lending institutions’ justifications for subprime lending as boosting equality of opportunity and democratic access to the American Dream of homeownership (Langley, 2006, 2008; Martin, 2011, Wyly *et al.*, 2009; Wyly *et al.*, 2012). Cultural geographic approaches thus are able to provide the analytical tools necessary for understanding and interpreting large-scale changes in saving, borrowing and consumption (and their consequences) over time, space and socio-economic groups. They also, through their engagement with concepts of governance, discourse,

subject formation and performativity, offer approaches and heuristic devices with which to examine small scale changes, and the interaction of financial processes with, and infiltration into, borrowers' everyday lived experiences of indebtedness.

2.8 Qualitative Work and the Role of Emotions

A further area in need of development in the scholarly literatures concerned with debt and indebtedness involves research concerned with the emotional basis of households' saving, borrowing and consumption practices and the emotional experience of indebtedness. Very little scholarship directly considers such questions, with the primary efforts concentrated in treatments of housing wealth (Smith, Munro and Christie, 2006; Mortensen and Seabrooke, 2008; Parkinson, Searle, Smith, Stoakes, and Wood, 2009; Wood, Parkinson, Searle and Smith, 2013). This small branch of literature offers, through theoretical and empirical work, a window into everyday motivations and lived experiences surrounding debt use. Broadly, it examines the use of home equity borrowing (secured debt) for discretionary spending, as noted in the previous discussion of Asset-Based Welfare (Cook, Smith and Searle, 2013; Wood, Parkinson, Searle and Smith, 2013). It also constitutes some of the only qualitative work (sometimes employing interviews with homeowners) in the literature concerned with household debt.

The works frequently employ an 'assemblage' theoretical approach, adding another framework to the debt researcher's toolkit. It draws on De Landa's (2006) notions of assemblage to assert 'home' as a site of emergence (re)produced in part by financial flows, holding that the meaning and materialities of home ownership are constituted through and altered by secured debt (Cook *et al.*, 2013). One study examines 'debted objects' – conceptualized as the things or experiences purchased with debt (often mortgage equity) that contribute to homemaking, or the assemblage of 'home' (Cook *et al.*, 2013), and several problematize the neoliberal representation

of housing as investment. As Christie *et al.* (2008:2296) assert in their examination of housing markets, “*housing transactions are emotional as well as economic affairs*”, while “*housing markets are propelled by a search for returns on emotional as well as financial investments*”.

This literature reveals the instability of boundaries separating economic and social dimensions of home and raises the question of whether home equity borrowing is a new and important source of debt accumulation for funding discretionary spending, life experiences and objects. The work is valuable for the present study in questioning the boundaries between the economic and social dimensions of home, which may be extended to similarly blurred boundaries in saving and borrowing. It also serves as a rare but powerful model for the use (and value) of qualitative approaches to understanding the lived experiences of finance and indebtedness.

2.9 Conclusion

This review of the recent and relevant scholarly literature pertaining to household debt has served to establish a large-scale context within which the following empirical chapters are situated. In these early years of the 21st century, household debt and the experiences of indebtedness must be understood as deeply implicated in large-scale processes of cultural, economic and political transformation. Industrial restructuring, precarious employment and the opening of national economies, the onset of neoliberal state programs and associated retrenchments of welfare state social securities have all had significant (and intersecting) effects on the working, consumptive and indebted lives of households in Canada and other nations. Financial market innovations such as asset securitization, and processes of financialization more generally have contributed to deep financial inequities, with certain elite and corporate actors gaining disproportionately over – and from the exploitation of – more vulnerable populations.

The critical scholarly literature, from Marxist theoretical contributions to cultural economic approaches, is rich and broad ranging in its analyses of the causes and consequences of these processes of transformation. However, largely left out are focused examinations of the workers and borrowers from whose wages and futures debt-based financial profits are derived. In the following chapters, this study aims, through the employment of (otherwise scarce) qualitative methods and a cultural geographic analytical lens, to contribute to the existing literature an understanding of households' emotional experiences of (and contributions to) changing patterns of debt accrual. The following chapter focuses on the state of household indebtedness in Canada since (approximately) the onset of the Global Financial Crisis of 2008-9. It presents and interprets statistical data available at the national level from institutional sources, as well as debt and credit data for Metro Vancouver, retrieved for this study from credit rating agency Equifax.

Chapter 3: Debt Trends in Canada

What do we know about household debt in Canada? How do we understand debt at the household level, and how do we determine which households struggle the most with the burden of debt? This chapter will set the context of changing patterns in household debt use in Canada, nationally and in Metro Vancouver. It will briefly review and evaluate common measurement approaches for analyzing household debt and debt stress, and summarize the varied findings of recent institutional studies and (largely) non-academic literatures interested in debt. The later sections of the chapter outline findings from a preliminary and exploratory quantitative study, employing consumer debt data for households in Metro Vancouver and presented through maps and tables. The brief quantitative analysis establishes the context within which the primary qualitative study (presented in Chapters 4 and 5) of lived experiences of household indebtedness in Vancouver is set. ‘Consumer debt’ is, in this chapter, used to refer to consumer debt at the household or individual level including credit card debt, automobile loans, personal and business lines of credit, home equity lines of credit (HELOCs) and student loans, but excluding (first and second) mortgage debt.

3.1 Defining Debt: Conceptual Approaches and Measurement

While debt itself is interesting to examine, total debt numbers themselves say little about the relative burden of carrying debt for various sub-populations of interest, including the most vulnerable. Measurements of indebtedness are required to assess the burden of, and capacity to carry, debt. ‘Indebtedness’ refers to the burden of carrying debt and is conventionally operationalized for empirical work by examining debt relative to another standardizing variable. There are three commonly accepted measures of indebtedness: debt-to-income ratios, debt-to-asset ratios, and debt-service-to-income ratios. Debt-to-income ratios, often represented by debt

as a percentage of disposable (after-tax) income, are the most common measurement of indebtedness, given the relative availability of income data *versus* data about assets and debt service payments (Bank of Canada, 2009a; Hurst, 2011; Walks, 2013a). They are typically interpreted as number of dollars owed for each dollar gained through income (for example, a debt-to-income ratio of 164.3 is interpreted as a household owing \$1.64 for every dollar earned). Debt-to-asset ratios and debt-service-to-income ratios measure debt as a percentage of assets and debt service payments as a percentage of income, respectively. The Bank of Canada considers a debt-service-to-income ratio – representing the proportion of disposable income diverted to interest and principal repayments – of greater than 40 per cent to indicate significant financial risk, while 30 per cent is the oft-used threshold by financial institutions to approve mortgages (Bank of Canada, 2009a; Hurst, 2011; Walks, 2013a).

In the contemporary Canadian context, ongoing debates among institutional and financial industry actors and media commentators dispute the extent to which current (and generally rising) Canadian household debt levels are cause for concern. Those who interpret record household debt levels as an acceptable and partial indicator of the financial health of Canadians point to low delinquency and debt-service rates and simultaneously rising asset values and net worth (the amount that would be left if all assets were sold and all debts were paid) as mediators of any risk associated with high debt-to-income burdens (*e.g.*, Cross, 2015). On the other hand, those who interpret record household debt levels as a troubling indicator of the financial (ill) health and vulnerability of Canadians point to the inevitable raising of interest rates (the Bank of Canada overnight rate having been (often significantly) above five per cent for most of the 1960 to 2000 period) and ensuing effect on debt-service costs and delinquency rates that have been kept low largely due to low interest rates (Equifax, 2015). They further point to the potentially

devastating impact of sudden residential real estate depreciations on the finances of households who have taken on large and ‘bubbly’ mortgages for inclusion in recently rising net worth (Walks, 2014; Tal, 2015). Indeed, on October 29, 2015, CMHC reported that housing markets are overvalued in 11 of Canada’s largest Canadian cities, with particularly problematic conditions in Toronto, Winnipeg, Saskatoon and Regina, and with increased overvaluation in Vancouver (CHMC, 2015). Such observers are equally conscious of the high levels of wealth and income inequality in contemporary Canadian society, and of the unequal distribution of assets, income, and debt across income groups and family types (Jackson, 2014; Tal, 2015; Environics, 2015).

3.2 The Canadian Debtscape:² National Trends to 2015

Since the 1990s, Canadian household debt levels have grown at an increasingly rapid rate. While the effects of the Global Financial Crisis (GFC) have been less devastating in Canada than in the United States, between 2002 and 2008 the rate of growth in consumer credit was twice that of the US, not falling behind the US until 2012 (Tal, 2014). Total Canadian household debt was \$147 billion (\$0.147 trillion) in 1982. By 2010 that figure had risen to a record 1,454 billion (\$1.454 trillion), with two-thirds of that increase occurring from 1999 to 2010 (Real Estate Board of Greater Vancouver, 2012; CMHC, 2011). In terms of debt burden, the national household debt-to-income ratio rose from 85 per cent to 106 per cent from 1990 to 1999 (Statistics Canada, 2015a). While increases in mortgage debt have constituted a significant share of increasing household debt, in 2010, when Canadian household debt stood at 148.23 per cent of disposable income, a majority of Canadians reported day-to-day expenses as being the primary motivator

² Walks, 2013a

for increased credit use (Walks, 2013a). As of June 2015, the national debt-to-income level stood at 164.6 per cent (see figure 1 for national debt-to-income over time) (Statistics Canada, 2015a; Equifax, 2015). What has given rise to this rapid and ongoing increase in Canadian household indebtedness?

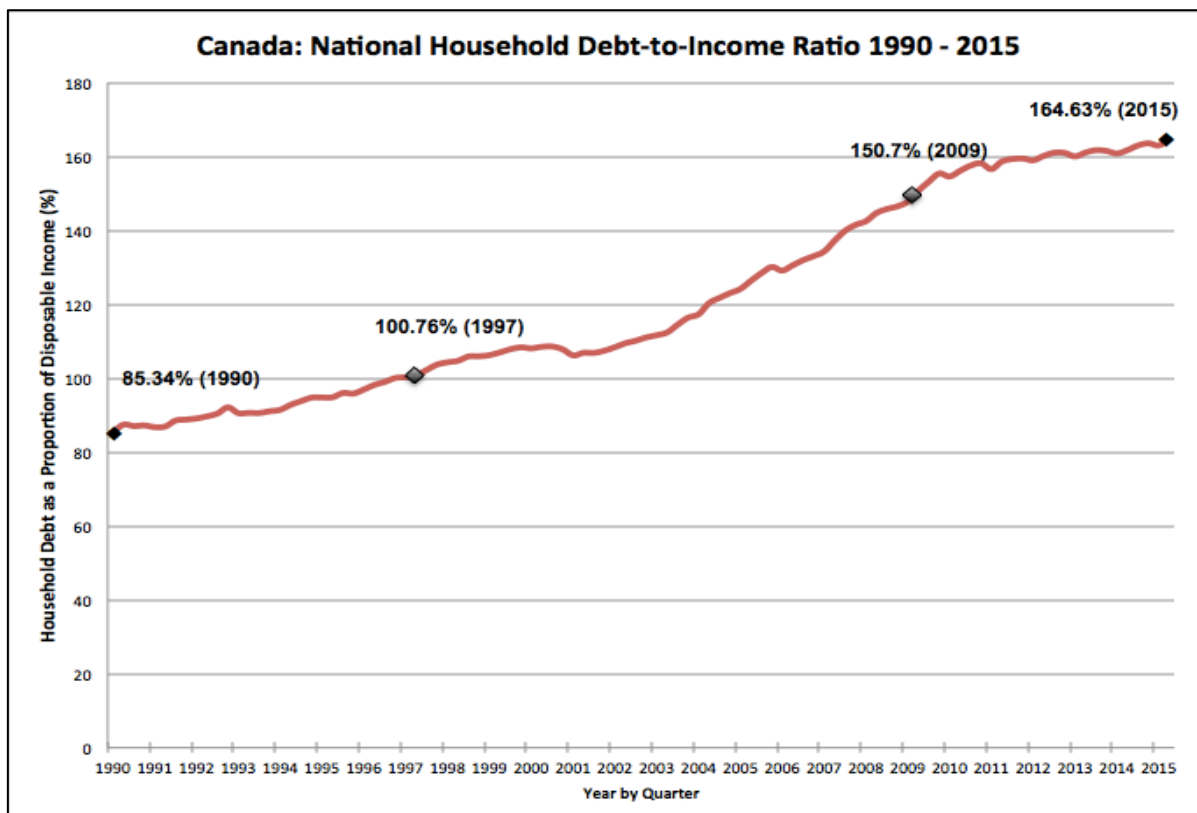


Figure 3.1 Canadian national debt-to-income ratios (%) – quarterly, 1990 to 2015.

Source: Statistics Canada, 2015a (CANSIM table 378-0123; Online: <http://www.statcan.gc.ca/daily-quotidien/150911/cg-a002-eng.htm>); Generated by the author.

Scholarly and critical work on debt and credit in the Canadian context is relatively nascent and underdeveloped. In Geography, Alan Walks (2013a, 2013b, 2014) has produced much of the existing research, particularly studies that attempt to link Canadian debt to space and broader processes of financialization, securitization, income inequality, and the global financial crisis. Walks has singularly provided a picture of Canada’s household indebtedness through a number of papers, each contributing both to theoretical and empirical knowledge on the subject

of debt in Canada. Recent work (Walks, 2013a; 2013b) indicates that in Canada, neighbourhood-level household debt increases both income inequality and the division between low- and high-income neighbourhoods in space. A variety of institutional reports, from organizations such as Statistics Canada, Equifax, Transunion and the Bank of Canada, offer a starting point for such research at the national level. Quarterly reports (currently publically available extending back to 2012) are available from Canada's two national credit rating agencies, Equifax and Transunion. In combination with longitudinal analyses released by institutions such as Statistics Canada and the Bank of Canada, these reports help to establish both trends and up-to-date snapshots of the state of consumer credit.

While these reports are an important and current source of empirical information on Canada's financial climate, such analyses have limitations. They often rely on comparisons of debt levels to historical averages, though it is unclear that these comparisons are useful in a changing financial and labour market climate. Credit rating agencies place heavy emphasis on delinquency rates, which though useful, say little about the possible consequences of high debt loads when and if interest rates increase or asset values fall (see for example, Faruqui, 2008 and Equifax, 2014). National scale studies are frequently based on survey-collected data. Though organizations like Statistics Canada provide transparency in their data collection methods (helpful in assessing data quality), voluntary surveys, particularly mail-in surveys, can involve selection bias, under-representing some groups over others (Faruqui, 2008). Credit rating agency reports (whose methods lack transparency), meanwhile, are useful in their detail and frequent updating; however these same characteristics may also create challenges for understanding medium-term trends. Finally, a problem of data variation smoothing comes with research employing aggregate or national statistics, which can invite interpretations that border on

ecological fallacy. Several Statistics Canada reports (e.g., Hurst, 2011; Chawla and Uppal, 2012) do attempt to address such problems, aiming to learn more about the characteristics of individual borrowing households. As it stands, they represent some of the only available sources on debt patterns in Canada and must be used, though cautiously.

By mid-2015, total household debt was \$1.874 trillion, up approximately 8.1 per cent from the previous year. Non-mortgage consumer debt averaged \$21,164, while total consumer debt averaged \$92,699 (BMO, 2015; Statistics Canada, 2015b; Equifax, 2015). The national debt service ratio was 14.1 per cent – higher than the 12.4 per cent average over 1990 to 2015 (Statistics Canada, 2015a). Bankruptcies have continued to decline in number since 2009, though in 2015 (2nd quarter) bankruptcy *balances* increased (Equifax, 2015). Following a steady decline since 2012, the national (non-mortgage) delinquency rate (based on payments at least 90 days past due) saw a slight increase at the start of 2015 and again declined to a low of 1.09 per cent in the second quarter. The decline was largely driven by trends in Ontario, while rates in Quebec and the Eastern provinces continued to increase. Western province delinquency rates also increased for the first time in four years, driven by increases in oil producing provinces Saskatchewan and particularly Alberta, where the rate increased by 10.7 per cent (Equifax, 2015). These increases indicate that the effects of the decline since 2014 in oil prices are beginning to be felt (Equifax, 2015).

In terms of debt trends, continued growth in the national debt-to-income ratio outpaced growth in disposable income from 1990 to 2015, and by 1994, “...*households owed more than they earned*” (Hurst, 2011:42). Largely due to increases in mortgage debt, average household debt more than doubled between 1984 and 2009, with accelerated growth beginning in 2002 (Hurst, 2011:40). The significance of mortgage debt has persisted into 2015, constituting

between two-thirds and three-quarters of Canadian household debt since 2012 (Equifax, 2012; Equifax, 2015). Non-mortgage consumer debt has been on the rise since at least 2008, with continued growth at a decreased pace into 2015 (Equifax, 2015; Tal, 2015).

3.2.1 Interest Rates and Delinquency

National delinquency rates have been decreasing steadily since at least 2012 (Equifax, 2015).

This decline is likely largely related to the maintenance of low interest rates – themselves a consistent and major driver of consumer indebtedness. The Bank of Canada’s overnight interest rate was held at one per cent from September 2010 to January 2015 in the hopes of stimulating Canadian business activity and consumption following the GFC (Equifax, 2015). In light of falling oil prices and a slowing Canadian economy, the Bank of Canada twice lowered the overnight rate in 2015, to 0.75 per cent in January and to 0.5 per cent in July (Equifax, 2015). In a slow economy and amidst stagnant wage growth Canadian economic growth between 2012 and 2015 was mainly driven by debt-fuelled household consumption; this has created a risky climate for both the Canadian economy and household finances should rates be rapidly raised (MacDonald, 2013; Robinson, 2015).

3.2.2 Net Worth and Debt-to-Asset Ratios

From 1999 to 2012 household debt grew more than assets. Income, driven by very weak growth in average wages and salaries, was relatively stagnant (Bank of Canada, 2009a; Grant, 2014).

Some commentators emphasize that debt-to-income figures alone offer an incomplete understanding of debt burden, given the tempering effect of wealth on household balance sheets (Cross, 2015; Uppal and La Rochelle-Côté, 2015). In fact, debt-to-asset ratios were relatively stable as asset values grew with debt from 1970 to 2007 (though in 2008 grew to a thirty-five year high of 19.6 per cent) (Hurst, 2011:42). In 2009, having higher income lowered families’

debt service and debt-to-asset ratios, while living in a Census Metropolitan Area (CMA) with high housing prices and immigrant presence tended to heighten all three debt-measurement ratios (Hurst, 2011:45-7). In terms of median debt levels (employed to illustrate the situation of a ‘typical’ household), whereas in 1999 the 67 per cent of Canadian families holding any debt had a median (total household debt) of \$36,700; in 2012 seventy-one per cent of families held debt with a median of \$60,100 (Uppal and La Rochelle-Côté, 2015). Median assets held by debtor families rose from \$225,400 to \$405,100 over the period, with the highest values among families aged 55 to 64 years and (likely overlapping) homeowners without mortgages. Median net worth rose from \$131,100 to \$248,000 among debtor families, although changes varied across family type (Uppal and La Rochelle-Côté, 2015). Over 2014, household net worth rose by 6.1 per cent, while household debt rose by 2.9 per cent (Environics, 2015).

As with debt-to-income ratios, debt-to-asset ratios help to understand debt burden. Between 1999 and 2005, though debt-to-income ratios increased the most for households near the middle of the income distribution, debt-to-asset ratios increased most for households near the bottom wealth quintile, likely related to the rising share of real estate and declining share of retirement assets in household assets (Bank of Canada, 2009a). In 2014, despite a decline in the number of people contributing to employer pension plans, growth in household net worth was driven by increases in such plans (Environics, 2015). Though households are managing their debt repayments, some groups (particularly younger households and non-homeowners) may have difficulty in saving for the future, while mortgagors become more vulnerable to declining housing values.

3.2.3 Types of Debt

The type of debt held by households is significant. Mortgage and credit card debt increased significantly in the period leading to the GFC. In 2009, mortgages aside, indebted households were most likely to hold credit card (48% of debtors) and line of credit (41%) debt, while only 18% held student loans (Chawla and Uppal, 2012). In the post-crisis low interest rate environment, mortgage debt has continually increased, and credit card debt has slowed as households consolidate it in lower interest products such as HELOCs and other lines of credit (Grant, 2014; Equifax, 2014a). Most recently auto and installment loans have driven non-mortgage debt growth, while growth in mortgages has been spurred more by the increased magnitude of mortgages (rising with housing values, particularly in Vancouver and Toronto) than by increased mortgage up-take (Equifax, 2015; Tal, 2015). Credit card debt growth was strongest among homeowners from 1999 to 2005, however this growth has led to a general rise in unsecured debt, which increased as a proportion of total debt in that period, particularly for wealth-poor households (Bank of Canada, 2009a).

3.2.4 Debt Trends Across Household Characteristics

Middle-aged mortgagors drove increases in the national debt-to-disposable-income ratio from 1999 to 2009 (Bank of Canada, 2009a; Chawla and Uppal, 2012). However the most indebted households in that period were younger homeowners, young families with children, those with higher levels of education, and those with high household incomes (Bank of Canada, 2009a; Chawla and Uppal, 2012). Analysts suggest that these differences were due to the greater capacity of such households to carry debt (Chawla and Uppal, 2012). Interestingly, though, by educational attainment households with high-school diplomas had the highest debt-to-income ratios in 1999, but by 2005 this place was held by college-educated households (Bank of Canada,

2009a; Chawla and Uppal, 2012). This may indicate an increasing student loan burden as tuition rates rise or decreasing relative income benefits or job opportunities for the college educated (Bank of Canada, 2009a:6).

Further, in 2009 household debt was distributed more equally among some of these same groups while being distributed less equally in populations already considered ‘economically vulnerable’, including those with lower levels of education, unattached individuals, those with incomes of less than \$50,000, and renters (Chawla and Uppal, 2012). This may be a troubling finding as the authors note that, “[b]ecause individuals in these groups may have fewer resources to deal with debt payments, the most indebted within these groups may be more at risk of defaulting because they hold a large portion of the group debt” (Chawla and Uppal, 2012:7). Additionally, a rise in debt-to-income ratios and the high relative importance of labour and transfer income for the lowest income quintile point to the vulnerability of this group in the face of shocks to these income sources (Bank of Canada, 2009a).

Unattached individuals were found to have the lowest debt levels (average of \$69,000) in 2009, lower than lone-parents (\$102,000), who in turn had lower debt levels than couples with children (\$147,000) in 2009 (Hurst, 2011). Young couples with children (19 to 34 years old) had higher debt-to-income ratios (180%) than other family types, but lower than lone-parent families (227%) (Hurst, 2011:43). As suggested by the life cycle theory, older Canadians (aged 50 to 64) were, in 2009, less likely to hold debt (except for older lone-parents), while more than 60 per cent of household debt was held by those 45 or under (Chawla and Uppal, 2012). Troublingly, however, the delinquency rate for debtors age 65 and up increased in 2015 (Q2), “for the first time in years” (Equifax, 2015:23), as the proportion of ‘over 65’ households still holding debt increased from 47 to 52 per cent between 2009 and 2014 (Grant and McMahon, 2015).

3.3 The Canadian Debtscape: A View From Vancouver

Evidently there are a number of useful current reports from various institutions that help to give a sense of the national level debt and credit trends in the absence of academic work. National scale analyses, however, can obscure or conceal important lower-scale variation in debt patterns, and rather fewer institutional analyses consider sub-national levels – most often the provincial scale. Even at the provincial scale, Western Canada and particularly Alberta and British Columbia have the most elevated household debt metrics. The average 2009 household debt in British Columbia was \$157,700, compared to Ontario (the third most indebted province that year) at \$124,700, and a national average of \$114,400 (Chawla and Uppal, 2012:3). From 1999 to 2012 Alberta and B.C. saw the largest increases in provincial (median) debt-to-income ratios. Both provinces' median net worth also rose substantially over the period, with B.C.'s rising 120 per cent to \$316,900 and Alberta's rising 83 per cent to \$117,000 (Uppal and La Rochelle-Côté, 2015). In 2009, the most indebted provinces were those with the highest housing costs – British Columbia, Alberta and Ontario. They were also home to the majority of the 12 per cent of Canadian households considered by the Bank of Canada to be 'highly indebted' (with debt-to-income ratios over 250 per cent) (Grant and McMahon, 2015). While households in Alberta are considered the most highly leveraged in Canada, Vancouver represents the most indebted households at the CMA scale (Grant and McMahon, 2015).

Although reports briefly consider provincial variations in household financial outcomes, very little is available that documents local pictures of indebtedness and there is limited access to data that would inform such analyses (Chawla and Uppal, 2012:4). According to Walks (2013b), who has completed some of the only sub-provincial, intra-CMA and geographic academic research on household debt in Canada, national level statistics mask dramatic and troubling

variation in household debt levels and burdens across Canada's largest cities. He finds, for example, that in 2010 the national debt-to-income ratio was 148 per cent, while in 2009 at the CMA level, the Greater Toronto Area had a ratio of 209 per cent, Calgary 234 per cent, and in Vancouver the ratio was as high as 266 per cent (Walks, 2013a). Walks attributes much of this inter-CMA variation to metropolitan differences in income level (increases in the prevalence of household low-income are associated with increased indebtedness), population growth and metro area size, as well as average dwelling values.

What little academic work touches on Canadian household indebtedness at the sub-provincial level suggests great variation at the intra-CMA, neighbourhood level as well (Walks, 2013a; Simone, 2014; Environics, 2015). As Walks (2013a) notes, an understanding of the ways in which debt burden is spatially distributed at the local scale (and of its key drivers) is crucial based on its association with potentially inequitable social outcomes. For example, high-risk lending (particularly mortgages), may be associated with minority neighbourhoods (as with subprime lending in the United States (Wyly *et al.*, 2009) and spatially concentrated foreclosures, and may influence gentrification and displacement through increases to local rents and decreases in rental housing stock.

Though still underdeveloped, valuable city- and neighbourhood-scale research is now being undertaken in select Canadian cities. For example, a 2015 study on the social and spatial distribution of household debt in Winnipeg found that Winnipeg's highest-income neighbourhoods tended to have the highest levels of non-mortgage consumer debt, while the lowest-income areas had low levels of that debt, but that bankruptcy risk is potentially more associated with lower-income neighbourhoods than with high non-mortgage debt levels (Werner, Distasio and McCullough, 2015). Walks (2013a) finds differences in income level, condominium

tenure, occupation type (particularly managerial occupation), and immigrant presence (associated with lower levels of debt at the metropolitan scale) to be significant drivers of the spatial distribution of debt stress at the intra-CMA level. He observes that, “[i]n every metropolitan area of appropriate size, aggregate levels of indebtedness are lowest in the old pre-war inner cores, and... they are highest in the (outer) suburban municipalities” (2013a:168), with few exceptions. Walks notes the *opposite* spatial pattern when only mortgage debt among mortgaged households is examined, which he attributes to high rates of rental tenure and processes of gentrification in inner city cores. He hypothesizes, that “...*financial institutions are willing to lend more (in relation to income) to home-buyers in the inner cities*” (2013a:170). In Canada’s largest and fastest growing metropolitan areas, Walks (2013a) generally observes high indebtedness in the outer suburbs (often associated with higher immigrant presence at the census tract scale) and highly indebted areas of gentrification close to the CMAs’ downtown cores.

Metro Vancouver follows this general pattern, but Walks emphasizes that unlike other large CMAs, in Vancouver, “*debt levels are elevated virtually everywhere*” (2013b:173). Simone (2014) finds that at the neighbourhood level in Montreal, Toronto and Vancouver, though there is much local variation in its effect across various racial categories, higher immigrant presence is associated with higher levels of indebtedness. This does not extend to the presence of visible minorities, but Simone notes that in all three cities the presence of Chinese inhabitants increases indebtedness across all types of debt. Despite these recent and valuable efforts, much work remains in understanding patterns of intra-CMA debt within Canada’s largest, most indebted and complex metropolitan areas including the apparently hyper-indebted Vancouver. Too little information is available about the daily realities of household debt in such cities. Given the rather

extreme nature of Vancouver's housing market, along with its status as the most indebted city in Canada, more work is needed here in particular (Walks, 2013a).

3.4 The Geography of Vancouver's Debtscape, 2007 – 2012

The following maps have been produced (by research partner the Social Planning and Research Council of BC where noted and by the author in other cases) with ESRI's ArcGIS Desktop 10.3.1 mapping software, using data for Metro Vancouver at the Forward Sortation Area (FSA) level of geography for the years 2007, 2010 and 2012. The income data were collected, compiled and obtained from the Canada Revenue Agency (CRA), from their tax filer datasets. The household debt data were collected, compiled and purchased from credit rating agency, Equifax Canada. Due to data constraints, mortgage data are presented (solely and in combination with non-mortgage consumer debt data) for 2012 only. Where median debt levels are employed these have been estimated at the FSA level through calculations based on a set of values at a lower level of geography, the six digit postal code (used by and established for Canada Post). Where debt-to-income ratios are employed, these have been calculated based on median debt levels. The 2012 data (for reasons of availability) were compiled by and obtained from data analytics firm Environics Analytics through Equifax Canada. In addition to household debt data, they include data on household assets and net worth at the FSA level in Metro Vancouver for 2012 only. The Social Planning and Research Council of BC carried out all calculations and data preparation, used here with their permission.

Figures 3.2 and 3.3 present median, per capita (non-mortgage) consumer debt levels at the FSA scale for 2007 and 2012. The data are categorized by quintiles, meaning that 20% of FSAs in the dataset and their median consumer debt values fall into each category. The range of values changes from \$7,427 to \$88,402 in 2007 to \$8,436 to \$74,116 in 2012, indicating an

increase in median consumer debt levels for the least indebted FSAs over the 6-year period and a decrease in levels for the most indebted FSAs.³

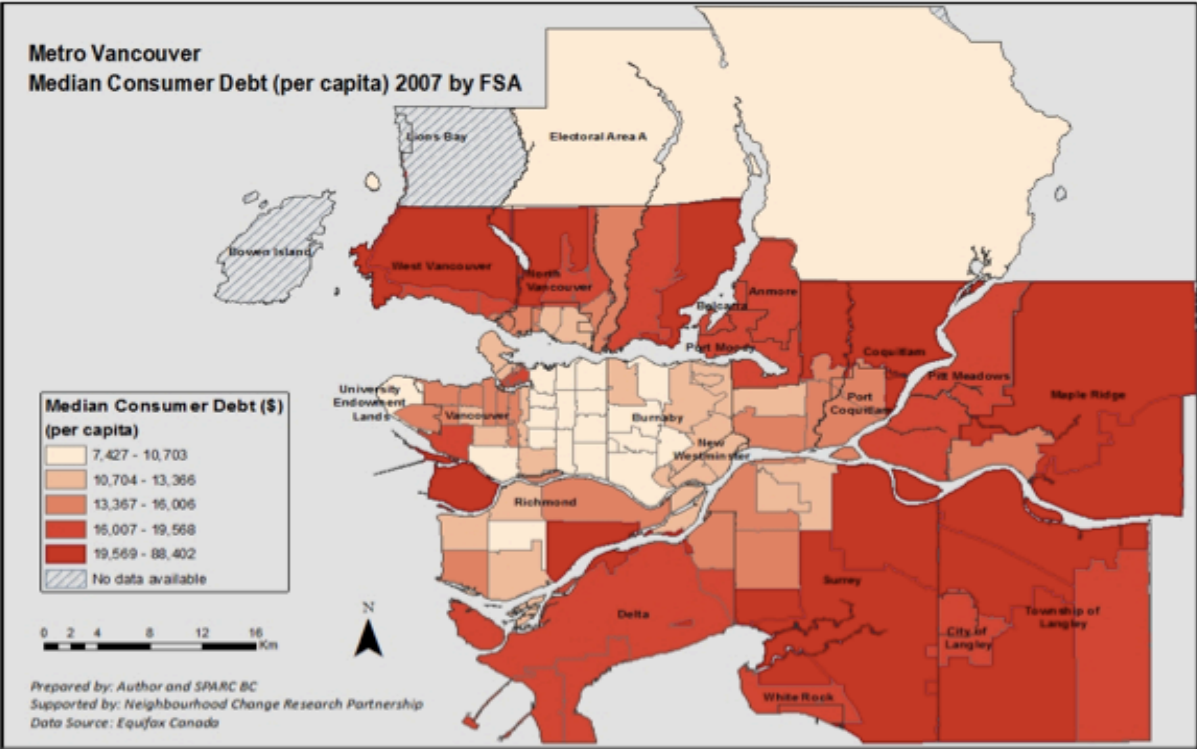


Figure 3.2 Metro Vancouver: Median consumer debt (per capita) by FSA – 2007.
Source: Equifax Canada; Generated using ESRI’s ArcGIS Desktop 10.3.1.

There is a clear spatial pattern in both years. The outer suburbs (including West Vancouver, North Vancouver, Port Moody, Coquitlam, Pitt Meadows, Maple Ridge, Langley, Surrey, Delta and parts of Richmond) experience the highest median consumer debt levels (from \$16,007 to \$88,402 in 2007 and \$17,644 to \$74,116 in 2012), relative to lower levels (across the lowest three debt categories) in areas closer to the inner city (the Cities of Vancouver and Burnaby).

³ Note that in each year the maximum value represents a large outlier: V7Y FSA (Downtown Vancouver by Vancouver City Centre skytrain station and Pacific Centre mall) in 2007 and 2012. These are followed by V4G (\$34,884 - Tilbury in Delta) in 2007 and V7X (\$69,026 – Downtown Vancouver near Burrard Station and Bentall Centre mall) in 2012.

This pattern does diminish somewhat over the period, with declines in debt levels in parts of Surrey and Richmond.

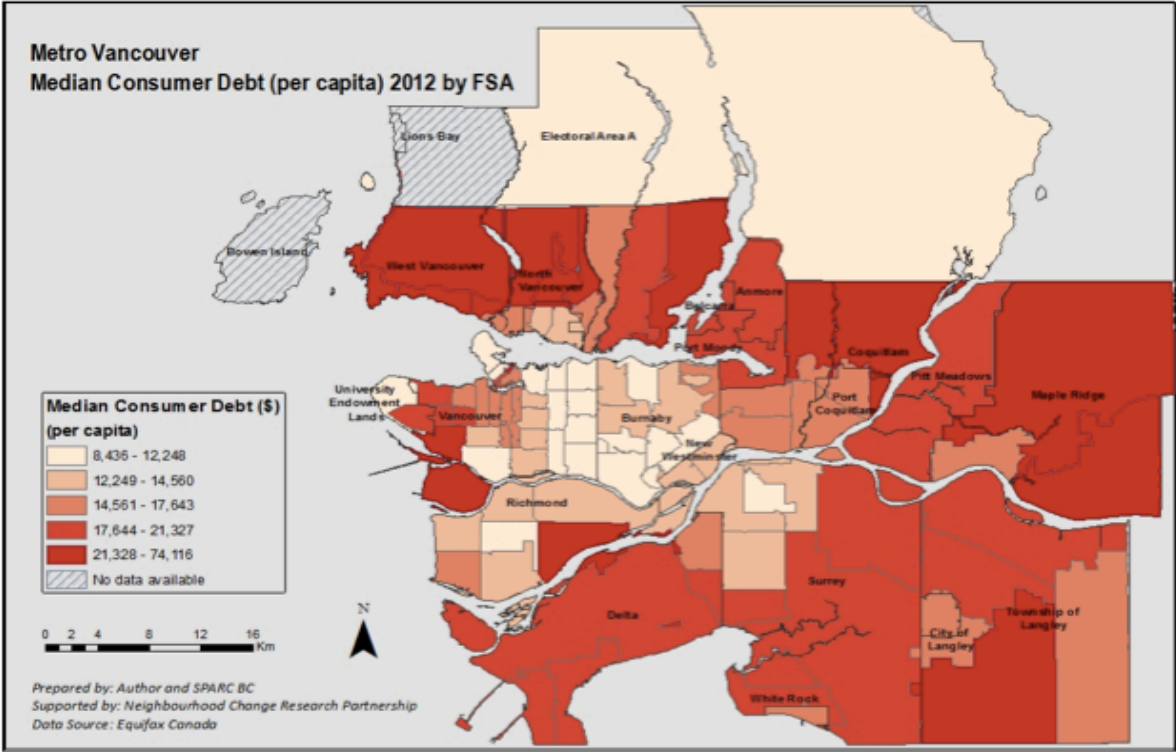


Figure 3.3 Metro Vancouver: Median consumer debt (per capita) by FSA – 2012.
Source: Equifax Canada; Generated using ESRI’s ArcGIS Desktop 10.3.1.

However, (median) absolute debt values tell us little about a household’s, or the residents of an FSA’s, ability to manage and repay debt loads, regardless of magnitude. In order to assess the relative (non-mortgage) consumer debt *burden* across Vancouver’s CMAs, we must consider household debt as a proportion of income.

The three debt-to-income maps presented in figures 3.4, 3.5 and 3.6, which visualize the spatial distribution of Metro Vancouver’s FSA-level median non-mortgage household debt levels as a proportion of (FSA) median income levels, are also categorized by quintiles. Median ratios are employed with this data, as FSAs are not standardized by population size. Median values help to represent an approximation of the debt, income or debt-to-income of a ‘typical’ debtor

and, notably, do not reflect the highest or lowest such figures that are actually present in a given FSA.

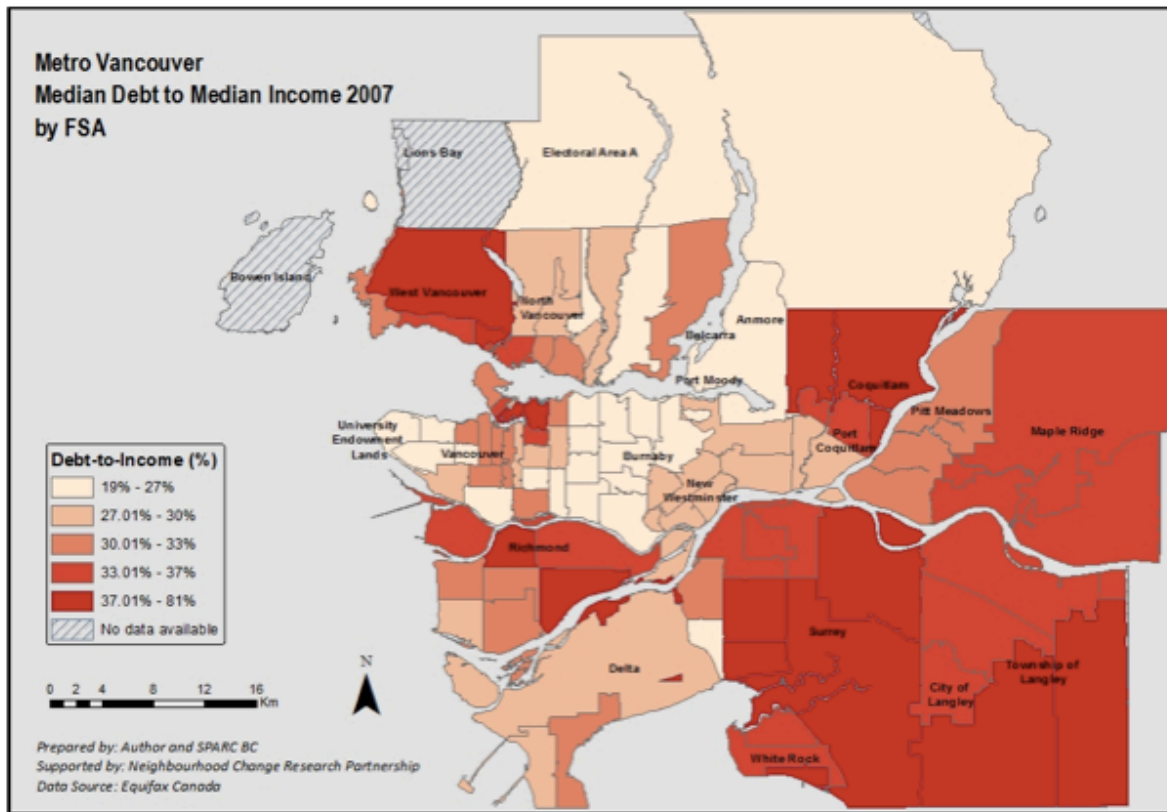


Figure 3.4 Metro Vancouver: Median (non-mortgage) consumer debt-to-median income ratios by FSA – 2007. Source: Equifax Canada; Generated using ESRI’s ArcGIS Desktop 10.3.1.

Because the maps are categorized by quintile rather than equal intervals of DTI ratios they are difficult, visually, to compare over time. However, the changing ranges of the data from year to year (2007, 2010 and 2012) from a minimum ratio of 19 per cent and maximum of 81 per cent in 2007 to minimums and maximums of 23 and 91 per cent, respectively, in 2012 indicate a general increase in (median, consumer) debt-to-income levels in Metro Vancouver from 2007 to 2012, as income growth has been slow and debt has increased significantly. FSA ‘V4G’ (Tilbury in Delta) had the largest ratio in both 2007 (81%) and 2012 (91%) (followed by ‘V6A’ – Strathcona, 58% – and ‘V7S’ – West Vancouver, 48% – in 2007 and 2012, respectively). In 2007 the lowest ratios

were in ‘V5R’ – Renfrew-Collingwood (19%) and ‘V5S’ – Killarney (22%), and in 2012 ‘V5R’ (19%) and ‘V5H’ – Burnaby-Metrotown (24%).

Most apparent again is the generalized and relatively worse-off state of indebtedness in the outer, more-suburban municipalities of Metro Vancouver including

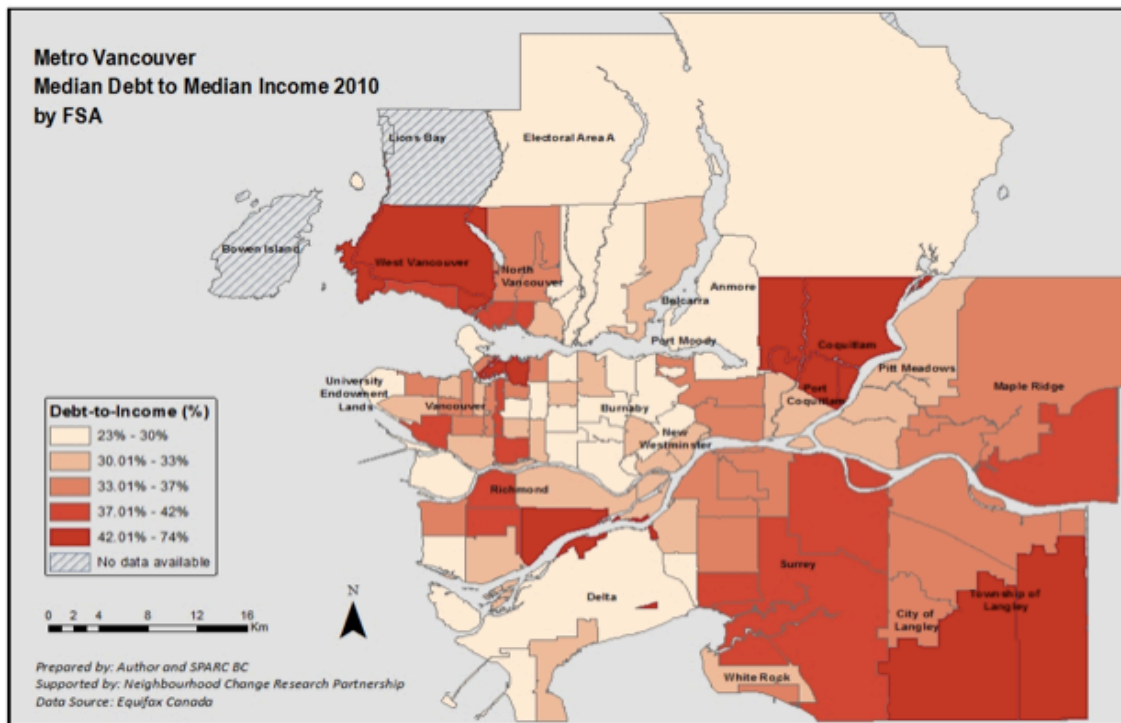


Figure 3.5 Metro Vancouver: Median (non-mortgage) consumer debt-to-median income ratios by FSA – 2010. Source: Equifax Canada; Generated using ESRI’s ArcGIS Desktop 10.3.1.

much of Surrey, the City and Township of Langley, Coquitlam, Maple Ridge, some of Delta and areas of Richmond. However, also notable is the general relative *decline* in the median debt-to-median income ratios in these same suburban FSAs from 2007 to 2012, relative to a generalized *increase* in such ratios in the more central FSAs composing the City of Vancouver (with some exceptions, for example in parts of Kitsilano, Hastings-Sunrise, Strathcona and the West End) and the City of Burnaby over the same period.

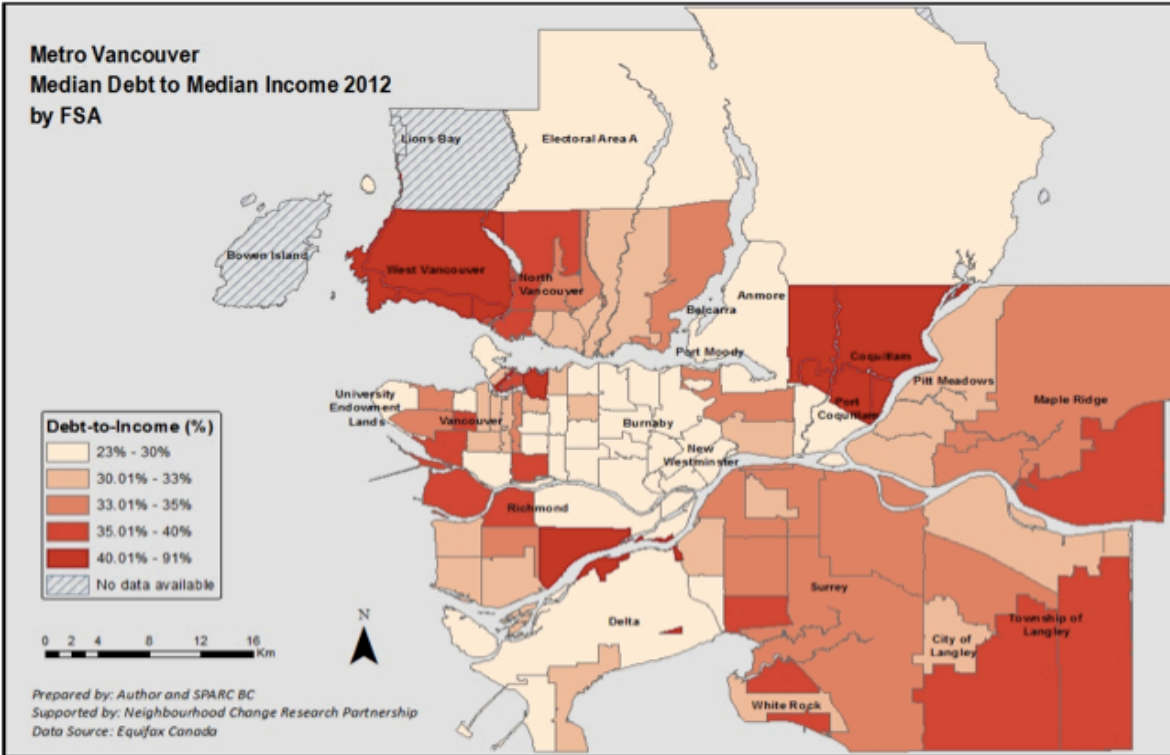


Figure 3.6 Metro Vancouver: Median (non-mortgage) consumer debt-to-median income ratios by FSA – 2012. Source: Equifax Canada; Generated using ESRI’s ArcGIS Desktop 10.3.1.

Some Downtown Vancouver FSAs (surrounding the commercial and gentrifying neighbourhoods of Downtown, Gastown, Yaletown and Strathcona) also show persistently high debt-to-income levels (though these decline slightly over the period), in line with Walks’ (2013a) observations. These patterns are accompanied by a general increase in median debt-to-median income levels in the wealthier suburbs of West Vancouver, North Vancouver, Coquitlam, and parts of Richmond, Port Coquitlam and Maple Ridge (see figure 3.7).

Using 2012 data and adding mortgage debt to the analysis, figure 3.8 portrays total (non-mortgage and consumer) debt as a percentage of total income (total income *per* FSA, not employing medians) for Metro Vancouver’s FSAs. Here we see the range of ratios escalate to a minimum of 119% and a maximum of 279%, indicating that

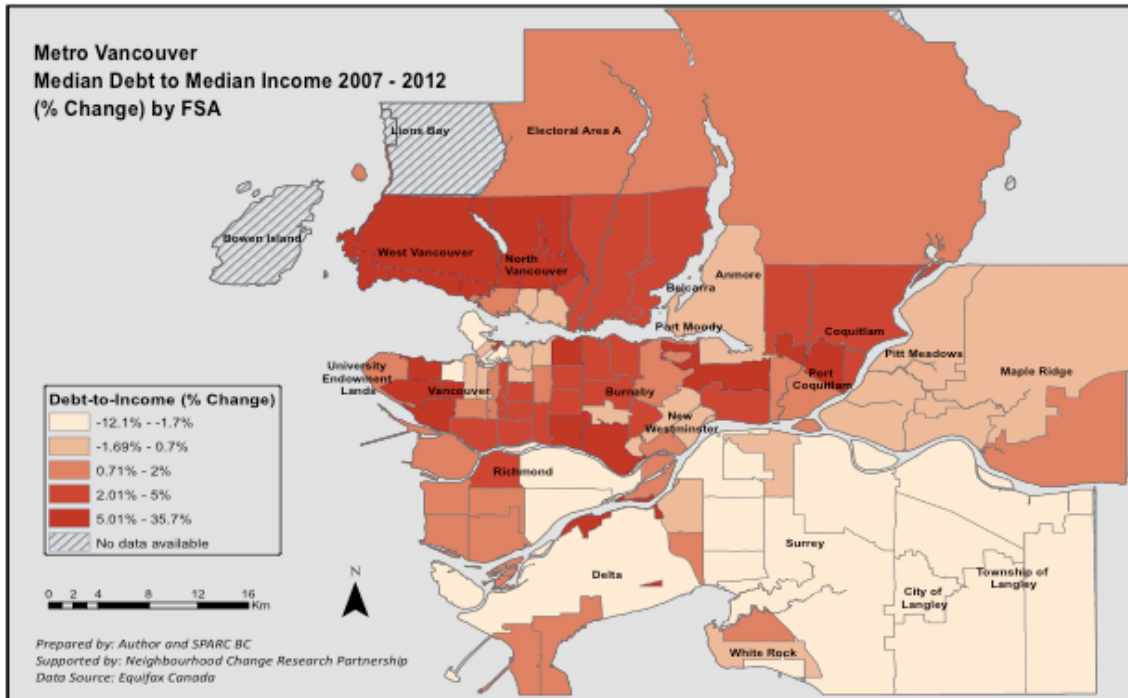


Figure 3.7 Metro Vancouver: Per cent change in median (non-mortgage) consumer debt-to-median income ratios 2007 – 2012, by FSA. *Source:* Equifax Canada; Generated using ESRI’s ArcGIS Desktop 10.3.1.

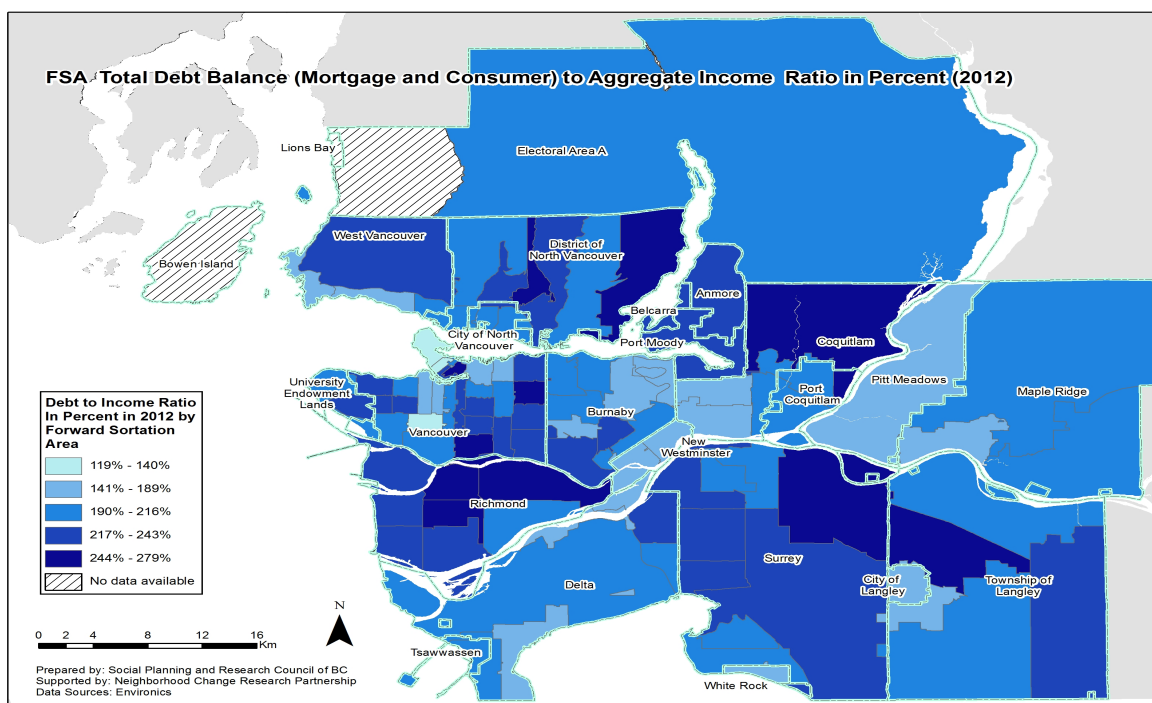


Figure 3.8 Metro Vancouver: Total (mortgage and consumer) debt-to-income ratios by FSA – 2012. *Source:* Equifax Canada; Generated by SPARC BC using ESRI’s ArcGIS Desktop 10.3.1.

when mortgage debt is considered, *all* of Metro Vancouver's FSAs hold more total debt than the FSAs' total income (and 60% of FSAs have higher debt-to-income than the 2012 national household average of 160%) – though this may be distributed unequally amongst residents within those FSAs. The spatial distribution of total debt-to-income ratios in 2012 is very similar to that of consumer debt, with particularly high values in outer suburbs and wealthier suburbs, including Surrey, parts of Langley, Coquitlam, West and North Vancouver, and with heightened values in Delta, much of Richmond and East Vancouver, and Vancouver West (Point Grey). However, the strikingly higher debt-to-income ratios depicted in figure 3.8 *versus* those based on consumer debt only demonstrate the tremendous significance of mortgages on household balance sheets in Metro Vancouver.

Indeed, some of the most useful scholarly studies examining Vancouver focus on homeownership and the housing market, which play an important role in the debt profiles of Vancouver's population, as well as its residents' livelihoods (Moos and Skaburskis, 2010; Walks, 2013a). Ley and Lynch (2012) claim that in Vancouver, income differentials between low- and high-income neighbourhoods surpass the areas' differentials in property values, causing lower affordability in low-income suburbs than in the expensive inner city. Other studies suggest that the increased arrival of wealthy and skilled international migrants drawn by economic profits of resource booms and the Pacific trade gateway (Moos and Skaburskis, 2010:733) has produced a de-coupling of housing demand from local labour markets. Immigrants arrive with significant wealth and partly invest it in Vancouver real estate (Ley, 2010; Moos and Skaburskis, 2010). This may indicate that non-wealthy residents, particularly younger households, may be required to take on mortgages that are beyond their means in order to enter the housing market (Ley, 2010; Moos and Skaburskis, 2010). In the 12 months leading to July 2015, 80 per cent of

debt accumulation nationally was due to growth in mortgage debt (Tal, 2015). A continuously widening gap in housing market and mortgage activity between Toronto and Vancouver and markets in the rest of Canada has been observed, as housing values (and mortgages) increase in those two cities and fall elsewhere.

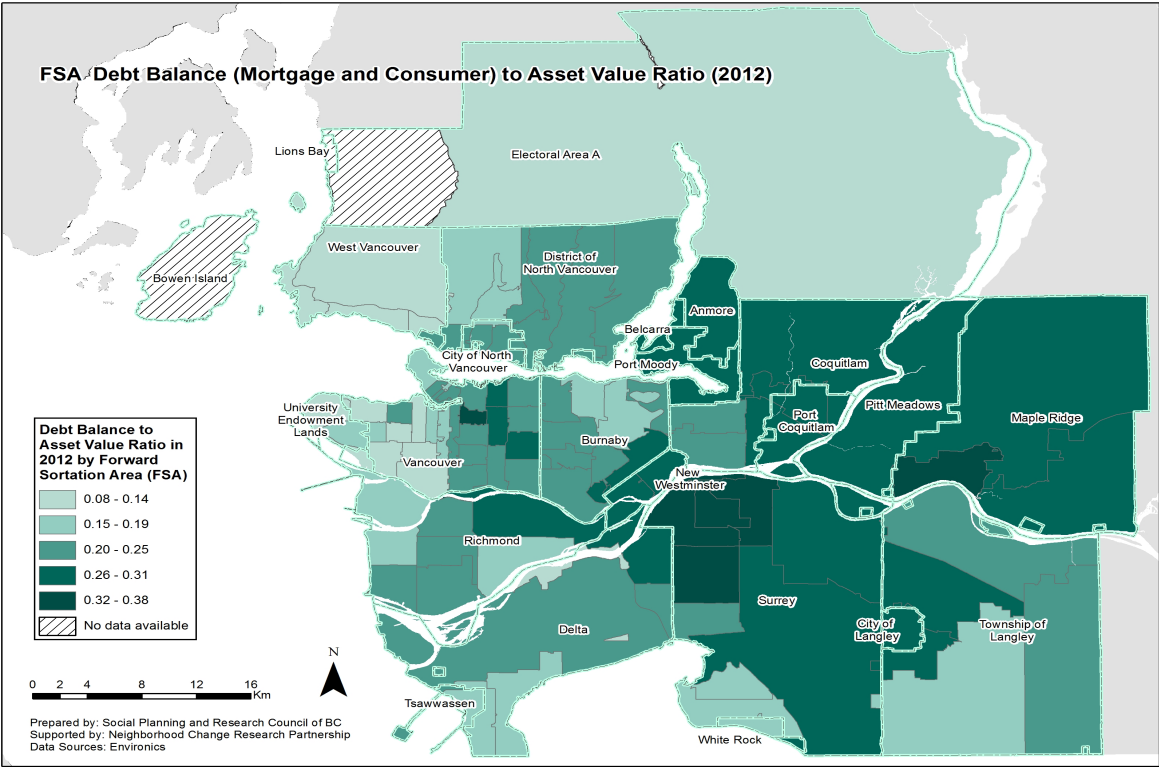


Figure 3.9 Metro Vancouver: Total (mortgage and consumer) debt-to-asset value ratios by FSA – 2012.
Source: Equifax Canada; Generated by SPARC BC using ESRI’s ArcGIS Desktop 10.3.1.

Figures 3.9 and figure 3.10 depict total (consumer and mortgage) debt as a percentage of asset values and as a percentage of net worth, respectively, by FSA for 2012. These maps suggest (though it cannot be said definitively without longitudinal analysis) that the wealthiest regions of West Vancouver, North Vancouver, parts of Richmond and Vancouver west (including Shaughnessy, Kerrisdale,

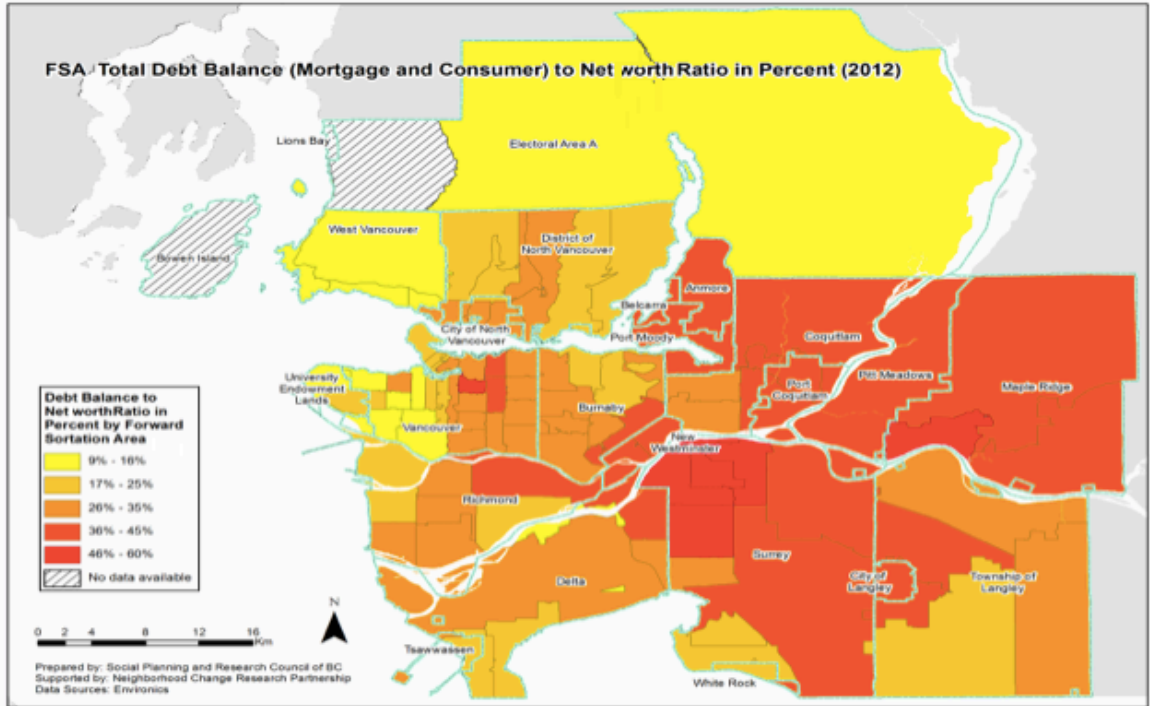


Figure 3.10 Metro Vancouver: Total (mortgage and consumer) debt-to-net worth ratios by FSA – 2012.
Source: Equifax Canada; **Generated by** SPARC BC using ESRI’s ArcGIS Desktop 10.3.1.

Point Grey, Kitsilano, and Marpole) have benefitted disproportionately from rising debt (and even debt-to-income) levels in the period leading to 2012. Of the FSAs that have accumulated the most debt and highest debt-to-income ratios over the 2007 to 2012 study period, it is particularly the wealthy suburbs (and some older central Vancouver neighbourhoods) that display the ‘healthiest’ debt-to-asset ratios in 2012, while outer suburban FSAs have demonstrated a persisting (though gradually declining) high indebtedness relative to inner-suburban and urban FSAs of Metro Vancouver. They have also displayed increased vulnerability through spatially concentrated increases in debt-to-net worth ratios, indicating a heightened vulnerability in the case that asset (particularly housing) values fall and/or debt increases via future increases to interest rates. Indeed, signs of slowing have already appeared in real estate markets in the West End (Environics, 2015), Langley and Surrey, “*where people wanting to use*

home equity to reduce debt” may “*face a prospect of liquidating their homes at a loss*” (Yaffe, 2015).

According to Walks (2014), over the two years from 2006 to 2008, outstanding mortgage credit increased nationally by one third to \$838 billion. There is reason to believe, however, that this rising homeownership is coming at a greater cost than in previous years. From 1999 to 2012 Canadian families experienced simultaneous growth of household net worth and debt. According to Statistics Canada (2015a; Grant, 2014), the changes were driven primarily by increasing housing and pension plan values and rising mortgage debt, respectively, as the median mortgage for principal residences rose 41.6 per cent to \$145,000 since 2005. Those in the lowest income quintile saw their net worth decrease over the period, largely due to low rates of homeownership while housing prices rose (Grant, 2014). Thus, rising rates of homeownership in a time of relaxed mortgage lending standards, low interest rates, rising housing prices, and unprecedented household debt must be viewed as having a potentially deeply unequal distribution of benefits.

More sub-CMA quantitative work is needed to truly understand the effects of indebtedness, its drivers and dynamics on neighbourhoods of different types, building on the significant start accomplished by Walks (2013a). However, even this preliminary mapping exercise reveals, in the case of Metro Vancouver, substantial differences in the character of debt and indebtedness between districts, and especially the challenging situation faced in the outer suburbs where, perhaps, dramatic changes (both upward and downward) in the housing market combine with the overall housing-induced unaffordability of the region to create complex inequalities in wealth and debt.

3.5 Conclusion

Canadian household indebtedness was 148.23 percent of disposable income in 2010, and in that year a majority of Canadians reported day-to-day expenses as being their primary motivation for increased credit use (Walks, 2013a). This is a troubling finding. While in the past taking on debt may have been a way of coping with lower earnings and higher living costs, rising levels of debt suggest that new strategies may be needed to cope with debt service payments themselves. This chapter has surveyed the literature on household debt in the Canadian context, where there is a dearth of academic scholarship. Speculating on a variety of explanatory factors for the dramatic rise in household debt over the last several years, institutional and academic authors have pointed to low interest rates, rising household income due to women's increasing labour force participation, increased consumerism due to cultural shifts, elevated demand for real estate caused by the baby boomer generation, "...*increased competition and deregulation in the financial sector; financial product innovation; and the relaxing of credit constraints*" (Hurst, 2011:40).

Some areas for exploration raised by these literatures include the disproportionately vulnerable financial status of young households (particularly those with young children), the self-employed, low-income households, and college and university-educated persons who may carry large student loan debt, and the different experiences of renters *versus* homeowners with regards to debt (Faruqui, 2008; Bank of Canada, 2009a; Hurst, 2011; Chawla and Uppal, 2012). Questions about the motivations, experiences, and potential consequences of this shift are raised, given the rising use of home equity loans by Canadian households (Equifax, 2014b). However, no work has been conducted on the associated impacts of debt on people's everyday life experiences and behaviours.

While it is unfortunate that data constraints have limited this study's ability to compare spatial patterns of indebtedness before and after the Global Financial Crisis (approximately 2008), as well as its ability to examine changes to asset levels and net worth over time, our maps indicate, in accordance with Walks' (2013a) findings, higher levels of (total, consumer and mortgage) debt in the outer suburbs and lower levels in the inner city, but higher levels of mortgage-only debt stress (relative to income) in the inner city than in the outer suburbs. What is omitted from Walks' and others' analyses, and from the above maps, is how these patterns translate into differential lived *experiences* of indebtedness for households. The following chapters will focus in on experiences of indebtedness, with a focus on the outer suburbs of Metro Vancouver, through a qualitative, interview-based study surrounding residents of the Vancouver CMA that have experienced high levels of stress from consumer debt.

Chapter 4: Causes, Consequences and Lived Experiences of Indebtedness

The previous chapters have indicated that household debt is rising in Canada and globally. What are the factors driving this rise and to what extent does rising indebtedness disproportionately impact people with different socioeconomic profiles? Hints of such information can be gleaned from the statistical, national scale reports published by various governmental and financial institutions, summarized in Chapter 3. However, such aggregate, numerical studies tell us little of how these characteristics might vary at a local scale, within or between localities, or of the processes driving such differential experiences. Nor do they greatly reveal how debtors experience indebtedness, nor why they make the choices they do when it comes to credit and debt.

In posing the research questions that frame this chapter, I want to follow Langley's (2008) example of elevating the significance of the everyday experiences of debtors – of individuals and households that carry, and in some cases default on, borrowed money. It is these experiences that both influence savings and borrowing actions of households (with subsequent effects on the wider national economy and its sub-markets) and reveal the consequences of broader forces, such as the neoliberalization of states and the financialization of economies. In the present chapter, by attending to the heterogeneity of financial experiences, I hope to re-centre the concurrent differences and similarities from which everyday life is composed for different people. In the next chapter I consider the ways in which these differences and commonalities, these textures of everyday life, are colonized and homogenized by forces of “*capitalism and modernity*” (Langley, 2008: 13) – and today, perhaps, by financialization, and neoliberal discourses. Specifically, I seek to understand how the nuances of everyday lives are erased by the print media through disciplinary discourses of household debt and default, and are replaced

by a singular portrait of the entitled, indebted, irresponsible over-consumer. To what extent are such discursive stereotypes supported by empirical evidence and how do they operate on the actions and identities – the subjectivities – embodied and performed by indebted residents of an Anglo-American society such as Canada?

4.1 Aims and Research Questions

With this qualitative study, presented in the following two chapters, I have two major aims. The first is to unpack the everyday, lived experiences of indebtedness for residents of Metro Vancouver, with attention to emotional and stress responses. The second and more exploratory aim is to understand the ways in which disciplinary discourses influence indebted Vancouverites' perceptions and performances of their own indebtedness. To realize these aims, the following two chapters explore the following sets of questions:

- (1) What are the causes of and contributors to high indebtedness among residents of Vancouver?
- (2) What is the emotional, stress, and lived experience of high indebtedness among residents of Vancouver?
- (3) What coping strategies do households employ to deal with high debt stress?
- (4) What services do indebted households need to help prevent, cope with, and solve high indebtedness?

And to be addressed in Chapter 5:

- (5) How do the Canadian mainstream media characterize indebted residents and to what extent do they contribute to the (re)production of competing financial subjectivities among such residents?
- (6) To what extent do indebted residents of Metro Vancouver perform various neoliberal financial subjectivities and to what extent are these multiple subjectivities performed in tension, and contradictory in nature?

These questions will be addressed through an examination of qualitative data, pertaining to experiences of carrying debt, gathered primarily from testimonies by residents of Metro Vancouver who have self-identified as having experienced debt stress at some point between 2000 and the time of interview (April-July 2015). Expert interviews with credit counselors and some data from non-participant observation at a non-profit credit-counseling agency complement the testimonial data.

The present chapter is organized as follows. Section 2 provides a discussion of the data and methods used for the analysis, including an overview of the recruitment process and the organization through which study subjects were recruited. Section 3 describes the study sample while Section 4 presents and discusses the key findings (including causes and consequences of debt stress) of the qualitative interviews. Section 5 offers some policy and service recommendations to ease and prevent high household levels of indebtedness.

4.2 Data and Methods

The qualitative data assessed in this study consist primarily of data from expert and non-expert open-ended interviews. The Credit Counseling Society (CCS), a non-profit agency, helped to facilitate the data collection. Because the expert interviews are drawn from CCS employees and the non-expert interviewees are past CCS clients – a fact that has certainly influenced the tone and content of the interviews themselves – the organization, its services and its mission bear introduction here. CCS, established in 1996, is a registered charity headquartered in New Westminster, B.C., with 21 offices across British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

The organization offers three broad service types. Operating primarily as an advising agency, CCS offers free credit counseling services both by phone and in person. Indebted

Canadians make an initial, often anonymous, call to the CCS call centre, through which they can access preliminary advice, information about the services offered, schedule appointments for more personalized budgeting services and advice and, in many cases, vent to a sympathetic listener. According to a key informant at CCS, approximately 80 per cent of the people that call in draw only upon these free advising services. The remaining clients will go on to access another major resource provided by the agency: debt consolidation and repayment services. CCS is able to advise on and facilitate Debt Management Programs (DMP), and advise and prepare for (but not administer) Consumer Proposals (CP) and bankruptcies. As a non-profit CCS charges only a nominal fee, a maximum of 50 dollars per month for administering a DMP. As CCS' fees for service are relatively modest, they must look elsewhere for funding, and a large part of this comes from 'the creditors' – primarily mainstream financial institutions and other lenders. Over 70% of CCS' funding comes from, "*donations from creditors and the credit granting community*" (CCS, 2015).

DMPs and CPs are both methods of debt consolidation for unsecured debts only (excluding asset-secured debts such as auto loans and mortgages, and excluding student loans in most cases). Consumer Proposals, which may include non-student loan government debt, are generally considered a last option before bankruptcy. Instead of taking on new or more credit to consolidate existing debts, in DMPs and CPs the debts are consolidated and paid back through a series of lump payments, normally made monthly or bi-weekly until the principal is repaid. DMPs (through credit counseling) and CPs (a legal proposal made to creditors through a bankruptcy trustee to change the terms of repayment) are negotiated with a borrower's creditors and generally include a waiving of some or all interest. Payments are negotiated and determined through detailing a strict budget to which the debtor adheres, that provides sufficient funds for

the debt payment each month. Typically the repayment period is capped at 5 years, and the debtor is not permitted to take on any new credit throughout the repayment period. Payments are made in a lump sum to the administrator, (credit counselor or a bankruptcy trustee), who then distributes them in segments to the creditors. If clients choose to proceed with either of the debt consolidation options (DMPs or CPs), their credit rating will suffer for the duration of the repayment period and for a set period following repayment (CCS, 2015; Financial Consumer Agency of Canada, 2015). CCS will advise clients if their best option is bankruptcy, which they view as a last resort due to the length of time that credit is affected, the cost of bankruptcy (with fees beginning at \$1800), its failure to discharge secured debts (e.g., mortgages) and student loans less than 7 years old, and the possibility that some portion of certain debts will still need to be repaid even when included in the bankruptcy.

The study methods consist of non-participant observation, expert interviews, and in-depth, open-ended qualitative interviews with indebted (or previously indebted) residents of Metro Vancouver. I engaged in modest non-participant observation when I visited and toured the CCS head office in New Westminster, British Columbia in February and March of 2015. The head office contains the call centre where all initial calls from indebted Canadians are serviced. In this capacity, the head office serves clients from all Canadian regions in their coverage, not simply Vancouver. The non-participant observation took the form of donning headphones and listening in on some of these first calls. Through this exercise, I gained insights that would help to formulate and focus my in-depth interview questions, as well as anticipate the emotional, empathetic and informal tone of the interviews.

Expert interviews were also conducted through CCS, with two credit counselors and a ‘Client Services Manager’ (responsible for negotiating on behalf of the indebted clients with

their creditors, facilitating DMPs and processing payments for these) at the head office.

Interviews with two additional credit counselors, who have extensive experience interacting with indebted Vancouverites, took place at a satellite office in Surrey, where many of the non-expert interviewees resided. This step was taken to gain an enhanced understanding of the local patterns of debt accumulation and their causes in this suburb and surrounding areas. These interviews lasted approximately 20 to 60 minutes, without honoraria, and were conducted in person at the head office and satellite office, meaning that during the interviews the participants were acting as employees and officially representing the Credit Counseling Society. It is likely that this had some bearing on their responses.

The expert interviews provide insight into the way that CCS – a prominent member of the ‘credit counseling’ portion of the Canadian credit industry - operates, and its philosophy. Given the high numbers of debtors with which these experts have contact, these interviews serve to complement and enhance the relatively modest sample size of the non-expert interviews. They also provide an overview of the types of clients that approach CCS for help, and, perhaps due to financial, cultural or other barriers, those who do not. The respondents were hesitant to generalize about the clientele (*e.g.*, with respect to their ethnicity, age or income levels), emphasizing that they had not seen the company statistics, but also that they receive clients of all different characteristics. I believe this hesitation to be compounded, again, by their feeling of being interviewed as representatives of the organization, and (for 3 respondents) by nature of working at the CCS headquarters, where the counselors have contact with clients from many Canadian regions and not a more focused local clientele.

Four of the five respondents, including both respondents in the Surrey office, anecdotally noted a particular abundance of Filipino and Caucasian clients, with few South Asians and some

Chinese (and other East Asian) clients. Both Surrey respondents emphasized a large, growing and troubling prevalence of elderly clients.

Recruitment for the interviews with the indebted residents of Metro Vancouver (hereafter also referred to as ‘resident interviews’, ‘client interviews’ or ‘non-expert interviews’) was also facilitated through the Credit Counseling Society. CCS maintains a list of past (and a small number of active) clients who pre-agree to participate in future media interviews for CCS. I selected a sample of potential interview subjects from this list, basing my selection on two major criteria. Priority was given to clients that lived (based on our Taxfiler and Equifax data) in a Forward Sortation Area with below average income and with above median consumer debt in 2012. Further clients were included if they lived in an FSA from which there was a noticeably high relative number of clients on the list, regardless of whether they met the former criteria.

CCS staff contacted my list of potential clients by phone to seek their consent in having me subsequently contact them to participate in an interview for the study. Thirty clients agreed - also the target number for the interviews – making the goal of securing all 30 interviews improbable. Ultimately, I interviewed 24 clients, falling slightly short of a conventional minimum sample size (n) of 30 to validate any statistical analysis. Again, however, this number is bolstered by the relative value of the five expert interviews.

The clients were offered an honorarium of \$50 CAD for their participation. This was deemed high enough to compensate for any inconvenience and their time, but not so high as to be the sole motivation for their participation in the study. The interviews were held in person in a coffee shop that was convenient for the interviewee. Interviews were held overwhelmingly in the Metro Vancouver suburbs, specifically in North Vancouver, East Vancouver, Burnaby, New Westminister, Surrey, Delta and Langley, with most lasting between 35 and 70 minutes. The

suburban nature of the interviewees is likely partially due to the relatively higher consumer debt burdens in these areas, however other factors, including the recruitment method, may be at play in the low catchment of City of Vancouver households. The majority of clients (19, or 79%) had successfully completed a DMP with CCS, while some 3 (12.5%) were still active in their DMP, and 2 (8%) had withdrawn from a DMP before successful completion. All respondents began working with CCS between 2007 and 2012, with the exception of three respondents who began between 2003 and 2005. Because all respondents are past clients of CCS who agreed to media interviews, they are not representative of all debtors in Metro Vancouver, but rather the sample should be thought of as being drawn from a population of Metro Vancouverites who have self-identified as having unsustainable levels of household debt, who have made the decision to seek a solution, specifically in the form of credit counseling, and specifically from CCS. Further, they are people who can be presumed to have had a largely positive experience with CCS, as they have agreed to media interviews for that society. Thus, this is not a random sample and should not be considered as such.

4.3 Study Sample

The Credit Counseling Society produces an annual report that provides basic descriptive statistics on their productivity and activities, and includes basic aggregate, mean information about their clients from all CCS offices (CCS Annual Report, 2014). In 2014, CCS had 59,610 clients (including new clients and clients already active in DMP and other programs), with a mean client age of 43 years. By gender, 57 per cent of clients were identified as female and 43 per cent as male, while almost half (47%) were married or in a domestic partnership. Of the remaining 53 per cent, 35 per cent were single (never married) and 18 per cent were separated, widowed or divorced (CCS, 2014). In terms of finances, clients' mean gross monthly household

income was \$4,682, with a mean outstanding debt of \$30,670, though standard deviations are not reported (CCS Annual Report, 2014). According to credit monitoring agency Equifax Canada, national per capita consumer debt (excluding mortgage debt) stood at \$20,892 per person in December 2014 (Equifax, 2014b), suggesting that CCS clients tend to represent Canadians with more than average debt stress. In 2014, CCS clients had one dependent on average, and a mean of eight creditors. It is unclear whether this figure includes creditors for secured debts, which are not included in CCS' services.

Of my 24 respondents, 67 per cent were female and 29 per cent (7 out of 24) were immigrants (one was a refugee). The majority of my sample, at 83 per cent, was White European (Caucasian) in ethnicity, with only one of these from a country outside of Canada or the United Kingdom. Two (8%) were Hispanic and two (8%) were Asian, while all of the non-white/Caucasian respondents were immigrants. I did not ask my respondents' ages, and such information is complicated due to the longevity over which debt is accrued, carried and repaid or forgiven. However, many respondents did mention their age range during the accrual of their debt, and others' ages were estimable. Approximately 50 per cent of my respondents (12 out of 24) were between 20 and 35 years old while they took on debt. Approximately 38 per cent were aged between 36 and 50 years old, and 13 per cent between 50 and 60, with an estimated mean age of 39 years old. The majority of the sample was married or in a long-term partnership (includes engaged and common law) at 62.5 per cent (15 out of 24), 12.5 per cent single, and 25 per cent divorced (or common law separated). While 58 per cent of households had dependents (mean = 2), the sample contains only three (12.5%) lone-parent households, two female and one male. Insofar as it is possible to compare these sample summary statistics with the summary information from CCS' 2014 annual report this study's sample appears to somewhat

underrepresent CCS' male clients, but does reflect the generally higher prevalence of female clients at the organization. The mean client age is numerically similar in each dataset ($x = 39$; $\mu = 43$), while single person households are somewhat underrepresented and divorced or separated households appear overrepresented.

It is difficult to accurately, or precisely, report the sample respondents' household finances, as for many households these fluctuated over the period of debt accrual and repayment (CCS documents such figures at the outset of the client relationship). Comparing respondent finances is further complicated by the different household structures in the sample (e.g., all interviews were conducted with individual respondents, however many respondents held joint finances with spouses or partners while others were single person households). Some respondents also went through divorce during the time of debt accrual and repayment. However, according to the 18 (out of 24) respondents' testimonies that are the most precise, the average annual household income was approximately \$52,500 (standard deviation = \$33,000), which drops to approximately \$46,800 (standard deviation = \$23,000) when one large outlying value (\$150,000) is excluded. Though these figures are consistent with the mean monthly income of \$4,682 reported by CCS, the large range (\$13,500 to \$150,000) (excluding periods of unemployment), suggests that these measures of central tendency should be viewed with caution – but also that the sample successfully represents a diversity of experiences. The majority of respondents (approximately 11 out of 24, or 46%) had an annual household income between \$25,000 - \$50,000. Approximately 21% of respondent households (5/24) earned up to \$25,000 annually, while 12.5% (3/24) earned between \$50,000 and \$75,000. The remaining 2 respondents (8%) had approximate household incomes of between \$100,000 and \$125,000 and \$125,000 and \$150,000 (varying over time) respectively.

The debt levels reported to me by my respondents may be underestimates, due to embarrassment or other interview dynamics. They are also approximations, as several respondents claimed that they could not remember the exact figures at the peak of their debt (while many could). Further, the figures represent the unsecured debt that was included in the Debt Management Programs with CCS. Many respondents also faced secured and other ineligible debts simultaneously, including student loans, mortgages, auto loans, British Columbia Medical Services Plan debt (BC MSP) and Insurance Corporation of British Columbia (ICBC) debts. The figures do largely, though not always, include any payday or installment loan debts held by respondents, though these short term debts fluctuate considerably and are thus difficult to estimate for a given point in time, even for respondents. With these qualifications in mind, for the 23 (of 24) respondents who reported their debt levels, the mean debt was approximately \$34,000 (comparable to the mean of \$30,670 reported by CCS in 2014), but with a large standard deviation of approximately \$27,500. This deviation reflects the wide range of \$4,000 to \$125,000. When broken down by family type (single, divorced, married/partnered), the picture remains muddled. Married or common law partnered households (62.5% of the sample) carried an average debt of approximately \$34,500, with a large standard deviation of \$29,700 (range = \$4,000 - \$125,000). Divorced individuals (25% of the sample) carried a mean of \$32,600 in consumer debt with a similar standard deviation of \$28,500 and a wide range of \$7,000 to \$80,000. Single person (never married and not sharing finances) households (12.5% of the sample) carried a mean of \$37,500 in eligible debts (standard deviation = \$17,700) and a smaller range of \$25,000 to \$50,000. While the sample cannot statistically be considered representative of any larger population, these descriptive statistics provide a general sense of the perspectives and characteristics present in the sample.

4.4 Results and Discussion

What, then, are the causes of high and rising household indebtedness among residents of Vancouver (operationalized here as past clients of the Credit Counseling Society)? How do borrowers react emotionally to debt, what strategies do they employ to navigate and terminate their indebtedness? Expert and non-expert interviews reveal distinct and sometimes troubling themes. Beneath one-dimensional media representations of irresponsible indebtedness lies a diverse group of citizens, thrust together under an unforgiving label – the indebted. From the loss of employment, to medical emergencies, and from the easy availability of credit and predatory lending to social pressures to consume, Vancouverites are thrown into unmanageable debt for a plethora of reasons, commonly with intense emotional consequences. The remainder of this chapter elaborates these broad findings from the qualitative data, drawing on critical theory and the socio-economic context of Metro Vancouver and Canada to understand and explain the causes and consequences of debt stress. I argue that two broad sets of factors contribute to high household indebtedness: a) poor spending choices and financial mismanagement, and b) structural disadvantages, strong marketing of credit products, and interruptions to income. The latter are disproportionately present for lower income borrowers, single-parent families, young borrowers, and (especially marketing pressures) recent immigrants, while the former are more prevalent among higher income, professional households and, again, young and new immigrant borrowers, though complexity and nuance colour both cases.

4.4.1 Causes of Indebtedness: Unexpected Life Events and Employment Instability

When it comes to the causes of indebtedness, the study sample strongly suggests that it is not simply financial mismanagement or conspicuous overspending on luxuries that pushes Vancouver-area households into unsustainable leveraging. Rather it is most frequently the onset

of unexpected life events of varying duration that cause high levels of household debt. Such events typically destabilize the credit/debt relationship of exchange – predicated on a borrower’s ability to repay a debt with future earnings – by impeding or redirecting said future earnings.

Predictably, the primary debt-inducing life event in the sample is loss of employment. Other common events include divorce, medical emergencies, accidents (e.g., automobile, wherein large liabilities may be incurred), death or illness of a spouse or relative, and family expansion. These findings are consistent with the results of other, usually quantitative, research in other localities (McKay, 2005). In the United States, for example, Himmelstein, Thorne, Warren and Woolhandler (2009) found that in 2007 over 45 per cent of consumer bankruptcies involved medical debt (incurred from illness, medical bills and associated expenses), with high incidence even among insured filers.

Unstable, insufficient, or terminated employment is by far the most frequent (initial) cause of debt stress among the sample respondents, and this is reflected in the expert interviews as well. Unexpected employment loss can affect households of all income levels and structure, though single person households may have fewer resources (or other incomes) to fall back on before turning to credit. Equally there are myriad reasons for loss of employment, not all of which boil down to individual fault.

For example, a certain level of vulnerability accompanies employment in the tertiary service sector that has come to dominate the Canadian economy following the industrial restructuring of the 1970s and 1980s and entrenched by subsequent free trade agreements such as NAFTA (CCPA, 2003). Because these are generally low wage positions (commonly temporary or part-time and without benefits), such workers are in a more difficult and precarious financial position even at times of full-time employment, making it difficult to save for unexpected needs

and events. One respondent discusses his spouse's sudden termination from a telecommunications call centre (Sprint) in Surrey when it suddenly closed:

...they actually closed down the call centre... she ended up getting a better job but to begin with it was only a part time job. So her hours could go from 20 up to 40 hours a week dependent on how much they needed her. After about a year they did give her a full time position... but by then the damage was kind of already done and it was hard to pull back from that (C2).

Here the possible presence of savings is irrelevant for the household given the suddenness of the loss of employment and the subsequent period of only part-time and variable work. This example demonstrates the shocking rapidity with which unmanageable levels of debt can accrue in these periods of even brief income instability. Such effects are enhanced when households have any pre-existing debts.

Unexpected income losses are especially damaging when they coincide with other unexpected life events. One respondent, a Mexican immigrant, represents an extreme case demonstrating the negative effects of indebtedness and the significant interactions between financial and other life circumstances. His marriage disintegrated under the intertwining stresses of insupportable debt, difficulties in raising an autistic child, and the social isolation that he attributes to being an immigrant in Canada. A banker in Mexico, even supplemental courses in Canada could not secure this respondent steady employment in this sector, forcing him to turn instead to work for low wages at a payday lender, at McDonald's, and eventually in retail at Target. He discusses his accrual of debt when the birth of his child coincided with his loss of employment:

So I lost my job. And then I got a job at McDonald's but the wage was very low. And my wife was working for Winner's at the time. So the wage was very low so we couldn't afford child care... So she had to stop working, and then I lost my job... It was very, very hard. And then we went into a lot of debt to survive (C7).

The respondent speaks highly of Target, where he was a shift manager. He speaks of the good pay and benefits he received while working there and the relief that came with finally finding well paying, stable employment. However, in another stark example of the precarity of such service sector work (particularly in working for an international firm), Target Canada shut its doors in April 2015, laying off 70,000 workers including this respondent who now worries about his car payments and the child support he must send to his young son.

Another respondent, a young Filipina immigrant, echoed this story, describing her difficulty in finding steady work in her field following her layoff from a publishing company when her position was made redundant during an economic downturn. She and her husband, who has a graduate degree, now both work in retail, earning slightly more than minimum wage, which at the time of writing is \$10.25 for non-servers in British Columbia. In an expert interview, a credit counselor corroborated the enhanced vulnerability of low-wage, service sector workers, noting, “... *I worked...at one of our Downtown offices and we had a lot of retail workers who were making, you know, 10 to fifteen dollars an hour; they were getting a lot of payday loans and things like that*” (E1). These types of jobs are not uncommon in Metro Vancouver (which had approximately 1,057,800 jobs in the services-producing sector in 2014), where the average annual income in 2014 was \$67,000 (below the Canadian national average of \$70,000) (Yaffe, 2014; Statistics Canada, 2015c).

Higher earning households, who have a greater potential to hold even higher levels of debt due to their higher salaries and steadier employments (and higher probability of carrying a mortgage), are not immune to these unexpected life events. One respondent, a (former) paralegal married to a construction worker and (formerly) collectively earning a household income of

\$105,000 per year, went into heavy debt when she became ill during her pregnancy. Left unable to work months earlier than anticipated, despite having planned and saved for the event, the respondent's debt became unsustainable when her husband was fired in the week of her labour due to a missed workday during the premature childbirth (C14). She recalls that, "*It wasn't until we couldn't afford to pay our bills that we started relying on our credit cards, when we blew through our savings*" (C14). She notes the difficulty of keeping up with bills, mortgage payments and various hospital fees not covered by British Columbia's provincial health insurance program (MSP) during this time. Though this household had tried to plan and save, and had even put certain fall back measures in place such as credit card insurance, these brief setbacks were enough to rapidly put them under water with their debt. Another respondent with long-term, stable employment and moderate pay voiced concerns that she would be forced to go on strike in the coming month, which would put her behind on her car and other debt payments. A key informant at CCS anecdotally corroborated the potential financial consequences of striking, noting that their office received a large number of calls for help from B.C. teachers during the teachers' strike and lockout of June to end of September 2014, which lasted three months (CBC, 2014). Clearly then, a multitude of events can push even relatively prepared borrowers into a financial tailspin.

Beyond lost or interrupted employment, younger respondents pointed to underemployment⁴ (in addition to student loans) as a source of indebtedness. At least 12.5 per cent of respondents could not find work in the field of their education. One respondent explains,

⁴ 'Underemployment' is commonly understood as a measure of the (lack of) utilization of the skills, experience and sheer availability of labour in an economy. It typically refers to highly skilled workers employed in low-skill employment, or employees that would like to work full-time but can only find part-time work.

“All throughout university I was debt free... But I really struggled finding a job...so the first time that I really stretched beyond my means was when I used my credit card to pay for a month of rent. I had no choice” (C8). Another respondent bitterly recalls, *“I finished an Outdoor Recreation Management Program at Capilano. It was great fun, totally useless”* and that, *“...when you have a 7 dollar an hour job credit cards pay for a lot of things”* (C13). The long-standing and oft referenced Life Cycle Theory (expounded in Chapter 2) might have explained this pattern of youth indebtedness. However in 2013 Canada saw a youth unemployment rate of 13.7% (up from approximately 11% in 2007) and a youth under-employment rate of 27.7%, labour market dynamics that were certainly captured in this study’s sample (CTF, 2014; Morissette, Hou and Schellenburg, 2013; CLC, 2014). Statistics Canada unfortunately publishes youth unemployment statistics only in comparison to those of the wide 25 to 54 year age range, making a more nuanced assessment of intergenerational employment inequities difficult. Nevertheless, these trends, in addition to the experiences of even the sample’s older respondents with precarious employment and unexpected life events (which can occur and instigate debt accumulation at any stage of life) suggest that Life Cycle theory may be an insufficient explanation in this case.

Life Cycle theory also does little to account for divorce, which both the expert interviews and a number of client interviewees pointed to as a common cause of high debt stress. Beyond possible legal fees and the potential (or partial) loss of an asset such as a house or car, two major financial risks are associated with divorce. One is a sudden reduction in household income level (alimony payments may further stress finances). The other is the possibility of one spouse being left with most or all of the household’s debts, suddenly rendering these less sustainable than they were when taken on. Six of the respondents (27%) were divorced, five of which claimed to have

suffered financially from the separation. Marital dissolutions can be particularly difficult for those left as lone parent households. One woman whose husband left her suddenly with two children, no house, and no employment, describes her experience:

I went to visit India, I came back. Found out my ex had sold the house and moved away with the money. So I was left with nothing... I immediately started looking for a job but then I started living off of my credit cards because that's the only way I could pay my bills, I could pay for food... It was [a] very difficult time in terms of navigating all that. I did find a couple of jobs but they were low-key jobs, they barely paid for my food, and couldn't even cover rent (C1).

Though her spouse did not leave her with debt, this respondent abruptly transitioned from being a stay-at-home mother to being a single working mother. Her immigrant status further meant that she lacked a strong social network to fall back on, leaving credit her only option. Another lone-parent in the sample (C17) was a young man who, though he had better employment prospects, was left with a considerable amount of debt to repay alone. His financial troubles were exacerbated when he was forced to leave his well-paid and steady employment for a lower-pay job with hours that were compatible with his daughter's child-care. Again, a brief three-week period of unemployment had devastating effects. Desperate to keep up with rent, bills, and debt payments, with the underlying fear of losing custody of his daughter, this respondent turned to payday loans to make ends meet.

Evidently the accrual of debt is complexly intertwined with other dimensions of everyday life – relationships, careers, collective bargaining, medical emergencies and reproduction, car troubles and more. Myriad unexpected and largely unforeseeable life events add complexity and vulnerability to the lives of borrowers, often regardless of any individual's efforts to scrimp and to save. Living paycheck to paycheck (due to a mismatch between wages and cost of living, unstable employment and other circumstances) means that when emergencies arise, meager

educational, retirement and contingency savings and even mortgage equity are used earlier or differently than planned.

Of course, these processes are nuanced and complex. Most people do not initially go into debt due to such life events but are often already carrying a certain amount of debt. When employment is lost or other unexpected expenses are incurred this use of credit is disrupted and deepened, transforming it into problematic ‘bad’ debt. The binary of ‘good’ and ‘bad’ debt is problematic. It suggests that debt can and should be used if used properly, rationally and responsibly, while its rhetorical converse, ‘bad debt’, is caused solely by the reckless poor who should not draw on this last resource in times of economic strife – even as the state does little to provide an alternative safety measure. This discursive accounting of debt leaves an unspoken grey area where ‘responsible’ debtors who encounter periods of misfortune are left, unaided. The quagmire of mixed messages being sent to low- and middle-income debtors is further clouded by the easy availability of credit, and indeed the societal and marketing department pressures to consume it that exist seemingly everywhere. It is to this that I now turn.

4.4.2 Causes of Indebtedness: Availability of Credit

Regardless of the immediate motivations for taking on debt, there is no doubt that for most Canadian households it is very easy, initially, to access credit. Whether or not they explicitly made the connection between increasing debt loads and access to credit (though many did), the vast majority of the resident respondents spoke, unprompted, of their experiences in accessing – and being pressured to consume – credit. Specific narratives involve experiences of successfully seeking out credit, but also of credit that was offered to (and pushed on) several respondents even when they did not seek it, and even in moments when they were financially ill equipped to handle it. Immigrants and households with lower income were some of the most vulnerable to

the consequences of such pressures. These findings will be addressed in turn in the following paragraphs.

The respondents drew on a great variety of credit products, including bank credit cards, department store credit cards (e.g., Future Shop, the Brick, the Bay, Canadian Tire), lines of credit, home equity lines of credit, mortgages, student loans, payday loans, installment loans (from large companies like Easy Financial, CitiFinancial and Mogo), personal loans and auto loans. All of the respondents held credit card debt at some point in their time of indebtedness, whether incurred by themselves, a spouse or another family member for whom they had co-signed. This points to the deep normalization of credit card usage in Canadian society. Several respondents also described the manufactured inconvenience of not having a credit card, for things like booking hotel rooms or making online purchases. One respondent mentioned that she had applied for her first credit card only because she had heard that it would help in building a good credit rating. However her use of the card and the debt that came with it slipped away from her, representing a tempting option when she was low on cash before a paycheque and a resource when she was out of work. This initiation into the world of credit again illustrates the deep normalization of credit and the almost mythical significance of the credit rating – itself a persuasive tool for those selling credit – in Canadian society.

4.4.2.1 Access to Credit: Hooking Young Borrowers

A young respondent demonstrates another route into the life of debt (and a tool for expanding the market of credit consumers). She explains that student loans, even before the repayment period, are an easy credit history precedent for new borrowers seeking more credit, commenting, “...before I got the student loan nobody would give me credit because I didn't have established credit, right? So it was the student loan that gave me the ability to get credit.” (C20). Of course

banks and credit card companies now routinely market their products to university students – an easy source of new clients – by setting up booths on campuses during orientation periods, peddling cards and credit lines that come with reward incentives tailored to students (see figure 4.1).



Figure 4.1 Rewards credit card application booth at the University of British Columbia, 2015. Source: the author.

Even in the absence of student loans, the respondents found the credit market easy to penetrate. A number of respondents recalled using ‘store’ credit cards, which are very easy to acquire by signing up in a store where employees market them. As one respondent articulates, “They’re easy. ‘Oh, just sign up and it’s yours!’” (C9). She goes on, intuitively noting that, “Credit is easily accessible; really easy to get it, really hard to pay it off. I think financial institutions love it when you’re in debt, because they’re making all of this interest off of you. And that’s how they make their money” (C9). Thus the sales aspect of the credit market is not lost on experienced borrowers. Borrowers may not also realize, however, that beyond interest payments, late fees often form a significant source of revenue for certain lenders and third-party financial

industry actors (particularly in unbundled, securitized mortgages and payday lending) (DeYoung and Rice, 2004; Lawless, Littwin, Porter, Pottow, Thorne and Warren, 2008; Warren and Gottlieb, 2008; Dymski, 2012). For young people without a credit history or households without stable income these store cards can represent a route (unsought) into the credit system. Another respondent explains how her first credit card – a store card – led to a snowballing effect of credit offers and the temptation created by such easy access:

It started out with me buying a computer from Future Shop. Because they were the first ones to give me a credit card... And then once you start that everybody's willing to give you a card. And for a while it was okay, I was keeping everything down... And then because everybody started offering me these things, I started taking them. And then I took a line of credit to consolidate everything... And then things just piled up from there...it's SO EASY to get CREDIT... when they find out that you've got your first card? People hand it out to you left, right and centre. And it's so easy to just fill out another one (C13).

The easy-to-get store credit cards created an accessibility to credit that this and other young respondents were not equipped, either financially or experientially, to deal with. The predatory nature of such cards is evident, as stores capitalize twice, through principal and interest, on a market segment that they are sure to earn money from. They target customers who have come to the store intending to make a major purchase (furniture or a computer) and who may or may not have the cash flow to easily pay *in situ*.

With a credit history established it becomes very easy to access more credit. One incredulous respondent was shocked that even when carrying a high debt load she was offered limit increases – an important aspect of revolving credit. She recalls, “*And the funny part was that even at its worst, I still had financial institutions calling me saying, 'hey, do you want another credit card?'*” (C8). Credit is made easily available through lax credit approval processes, but also through easy increases to these limits. Several respondents’ credit card limits

were frequently either increased without notice or, with the store credit cards, renewed upon repayment. Many confessed that it was difficult to resist the temptation of drawing on their extra credit when they realized that it had been made available. A previously quoted respondent describes the subtle creep of debt, reflecting, *“Because back then they didn't ask you, they just gave it to you. So I kept looking, like, 'Oh! Look! They gave me an extra 1200 dollars'... I never went on any trips, I didn't do anything exotic, it was just little things here and there”* (C13). This respondent had a low paying job and found that there was always something to spend money on, whether necessities or indulgences, making it difficult to leave the extra credit untouched. Another respondent had a similar experience, explaining, *“...because you're making the payments...they up the limits! ...And you're kinda thinking, 'Okay, well I just need to get this', or something will come up that you actually need to get... But then it just snowballs?”* (C15).

Borrowers with unmanageable debts are frequently advised to consolidate these with a larger-limit but lower-interest loan or line of credit. This slows interest and returns a sense of control to borrowers that are overwhelmed by keeping track of multiple credit products. Barriers to consolidation exist when a creditor is hesitant to accept additional debt from other sources. However when a consolidation loan is secured, new dangers appear. Respondents found that upon approval for consolidation, instead of capping the new loan at the amount being consolidated, additional credit is given – often in considerable amounts, creating a new profit opportunity for the lender. One respondent regrets the decision, lamenting, *“ Yeah, it was a better interest rate... And, like, 'Okay! No problem. We can do all this and it'll be fine'. But then they also turned around and went, 'Here's 8000 dollars'. And then that's where the car modifications stuff came in, that payment, and buried me! And buried me! (C13)*. Another respondent failed to cancel the credit cards whose debts were being consolidated and went on to

accrue new debts on both the line of credit and the cards. Thus, beyond the temptations and pitfalls of mere card limit increases, the large amounts of unsought, additional credit given with consolidation loans are problematic and even dangerous for borrowers, creating a rare opportunity to finance some desire, such as a vehicle, that previously seemed out of reach. As expressed by the former respondent, it is often these sudden gateways to large sums of money that carries households from a high but manageable debt load to crushing levels of debt stress.

4.4.2.2 Access to Credit: Newcomers, New Clients

In addition to young borrowers, immigrants – particularly new immigrant families with children – are a vulnerable group. A basic issue is cultural difference in perceptions, use and availability of credit between Canada and some (non-Anglo-Saxon) source regions such as Latin America and Eastern Europe. Some of the sampled immigrant households had never been exposed to credit in this easy way before. One respondent, a Colombian refugee, describes her surprise at how easily credit was available:

We come from a third world country where...having a credit card at the time was like you were well off... A status thing that if you have a credit card it's because your wealth is good enough that the bank is going to let you collect credit... [B]efore we came...my husband was working independently and I was working like minimum wage there...So we never applied for a credit card there. So here I come and I was doing my training, and they offered me a credit card there. You know? Like, I didn't have a job, and they were like, 'Oh, no, it's fine!'. And I applied...and yeah! Two weeks later I had like 1500...So from then on they started to send applications for my husband, you know, because he had a better job, and so he started to get credit cards (C12).

An immigrant respondent from Mexico echoes this, and voices the concerns of other immigrants in the sample that they were not equipped with the knowledge or tools to make the right choices when using credit, particularly due to the long-term duration of the credit contract. He says, “*That's life in Canada! ...I think immigrants have more trouble getting into debt... A bank, when you're doing well, they just give you a line of credit, a few credit cards... And I guess we just*

couldn't handle having that much. In Mexico you don't have that...” (C7). These experiences are further evidence of a dangerously easy access to credit. They also suggest a powerful societal consumerism – a perceived expectation that residents of Canada should employ credit to consume unnecessary goods and services. Education for newcomers regarding the sustainable use of credit may help. However, these testimonies also present an opportunity to understand the behaviour of Canadian borrowers and raise credit industry marketing practices as a new potential point of intervention in the looming Canadian consumer debt crisis.

Some improvements have been made. In 2011 the federal government’s new Credit Business Practices Regulations took effect, requiring federally regulated financial institutions to obtain express consent from clients before each increase to credit card account limits (Financial Consumer Agency of Canada, 2013). This is significant given the desperation that those with high debt stress often experience as they struggle to make the minimum payments on their existing debt. However one respondent states, *“Credit card companies make it too easy... once you get close to your limit a lot of credit card companies will automatically offer you a limit increase whether you asked for it or not. And you think, 'yeah, okay, I won't use it'. And that's the trap you fall into. 'Well, I'll pay it back'”* (C5). Thus as the opportunities for easy limit increases remain, the requirement of saying ‘yes’ can be a superficial barrier for those who are desperate or tired of scrimping. Like a self-fulfilling prophecy, a use can always be found for extra credit – something that credit providers understand perfectly well. Particularly for youth and new immigrants – new entrants into the credit system – the barrage of mixed and competing messages surrounding the ‘right’ way to use credit can be confounding.

4.5 Payday Lending

After credit cards, payday loans are the consumer credit product that most warrant a focused discussion. There is ongoing controversy concerning the perceived dangers of these loans *versus* their alleged role as an important emergency resource for citizens whose bad credit ratings exclude them from more mainstream, regulated banking and credit products. While credit cards are the most common type of debt that CCS' clients need help with, payday loans are, "*the highest rising type of debt of people who are coming in [to CCS for help] ... by far and away*" (E1).

Payday loans are an alternative loan product provided by non-mainstream financial institutions, normally for a small amount of money with a high interest rate to be repaid on the borrower's subsequent payday (typically a 14 to 30 day loan period). The short term of the loan and the relatively small principal amount (often \$200 to \$500 but sometimes up to \$1500) can distort the significance of the high annual interest rate (Kitching and Starky, 2006). For example in June 2015 MoneyTree advertised payday loans at a fee of \$18 per \$100 borrowed, which amounts (according to their calculations) to a 469.29% Annual Percentage Rate (APR) – that is, the interest rate as it would be were the term of the loan 12 months (MoneyTree, 2015). Rates of interest exceeding 60 per cent per annum are considered criminal in Canadian law (under Section 347 of the Criminal Code, enacted in 1980), however provincial government Payday Loans regulations are able to override this, leaving room for improvement in the regulation of this industry (Kitching and Starky, 2006; Momentum, 2014).

While payday loans, due to their small principal and upfront fees, may appear harmless and even beneficial they are one of the most dangerous forms of borrowing. The Canadian Payday Loan Association (CPLA, 2015) warns that, "[A] payday loan is an unsecured short-

term loan to meet unexpected cash needs. Payday loans are for occasional use only and should not be used to cover continual shortfalls in your budget". The problem lies in the loans' constitution of a large part of borrowers' paychecks (problematic due to the short term of the loan, which is expected to be repaid within 14 to 30 days). Many borrowers must re-borrow immediately upon repayment to have sufficient funds to survive the following month. Thus, they fall into the 'payday loan cycle'. Because of recurring fees and increased and compounded interest many borrowers, "...go from one [payday lender] to pay the other, to pay the other, to pay the other. And then, with the money they have, they pay their monthly payments and then they continue" (E2). This can cause the amounts owed to snowball out of control for the borrower, well beyond the amount of their paycheck, as the upfront fees they must pay each month accumulate and rise after a typically low introductory rate.

The results of payday lending are even more insidious due to the predatory nature of this type of lending. Some clients do not know the risk of such borrowing. Others do, though few truly understand how difficult the payday loan cycle can be to sustain or terminate. In both cases, borrowers are usually desperate for the extra cash to pay a certain bill (for example, some people will go to great lengths to avoid missing a mortgage payment) or survive until payday. Many feel they have no other options, often having already exhausted the alternatives, such as bank loans, credit cards and personal loans. Payday lenders leverage the profiles of their clients – who are less likely to be able to repay a loan than those with good credit and alternative options – to justify their use of very high interest rates, compensating for the risk that they are accepting with the loan. Thus, payday loans are often subprime. Even the credit counselors admit that, "...these loans would typically be lent out to clients who probably already have bad credit, maybe don't have the financial know-how to go somewhere else that would give them a more reasonable loan.

And so... yeah, it's predatory in that it's targeting individuals who are already probably in a bad spot” (E2). The risk-based pricing employed by payday lenders is a crucial element of discourses regarding the ‘democratization of credit’ (reducing barriers to access to credit) that have been used to justify sub-prime lending elsewhere (Wyly *et al.*, 2009; Soederberg, 2013).

While the majority of respondents did not report taking on payday loans (63%) those that did had very strong emotional and stress reactions to them. Further, desperation, and not necessarily a lack of knowledge, is consistently the primary motivation for using payday loans among the sample respondents. As one woman states, *“Yeah, because we were desperate, right? You get into a spot where it's like, 'Oh my God, the rent's due, what can we do? Well, we can get a Payday loan”* (C19). She claims she understood how payday loans worked and their potential dangers before using them but that the short term need and desperation overrode that, saying, *“Yeah, but it was out of desperation... We weren't thinking about the future. We were thinking about survival”* (C19). Another respondent (C7) – a former banker from Mexico – was even employed by a payday lender, Money Mart, at one point. Despite his knowledge of the dangers of payday lending, desperation pushed him to draw on these loans, getting caught in the cycle and even contributing to the loss of control of his financial situation. He explains his desperation and regret:

So this was my first option for help. Which is not help. They screw you over... Then I said, ‘well, we're getting into it worse. We can't even get out anymore to have money to eat’... It was a short solution. Like you get the money to solve some problems... I shouldn't have done it. But I did it. It was just too easy to get... Either it was that or not buy diapers. I don't care about myself but I had my son at the time, so I had to provide (C7).

This suggests that heavy regulation or eradication of these lenders is the solution, and not the greater transparency that has been advocated. Respondents who turned to payday loans

consistently report that action as being the turning point where they lost all control of their debt, and consistently voice their regret in turning to payday loans. The previously quoted woman continues, *“Those payday loans are brutal. They shouldn't exist... if we'd have ...not turned to those kind of things we might not have... I don't know – it might have changed something...the Payday loans were what really did us in.”* (C19).

Falling into the payday loan cycle, in combination with precarious or low wage employment is a particularly difficult situation for debtors. Another respondent explains, *“I was over my head. I was working full time but when you're making ten dollars an hour, it's not – it was just not enough. I was paying things to pay off other things”* (C13). These accounts are common among the sample's Payday borrowers. Payday lenders and the Canadian Payday Loan Association claim that they provide a crucial resource for Canadians that have no other options in an emergency (CPLA, 2015). This argument and the large number of payday loan users (in 2013 more than 800,000 payday loans were taken by over 100,000 people in British Columbia) have made such loans a complex issue for policy makers (Griffin, 2014; CPBC, 2015a). The complexity is compounded by the shared federal-provincial jurisdiction over payday lenders, which in the past has effectively resulted in a lack of regulation overall (Kitching and Starky, 2006). While the Canadian Payday Loan Association (CPLA) claims to work with the payday loan industry and governments to develop regulations and oversight and ensure consumer protection, membership with the CPLA is voluntary and a revoking of membership is often the harshest punishment given for breaking their 'Code of Best Business Practices' (CPLA, 2015; Kitching and Starky, 2006).

In November 2009 the Payday Loans Regulation took effect in British Columbia, officially requiring all payday lenders with consumers in BC to be licensed with Consumer

Protection BC and capping fees and interest at 23% of the principal (CPBC, 2015a). Further, in January 2014 the Supreme Court of British Columbia ruled in a case between CPBC and Cash Store Financial Inc. that the latter refund over \$1 million in illegal fees charged between 2009 and 2012 (CPBC, 2015b). Regulations and reprimands are important steps however, because payday borrowers can still easily access more than one payday lender simultaneously and due to the short repayment periods, the payday loan cycle remains a threat. It is not clear that the benefits outweigh the dangers of the payday lending system or its easy availability to vulnerable debtors. A more effective approach to protecting Canadian debtors from the pitfalls of payday lending is to abolish them entirely and to conceive of new emergency alternatives for vulnerable citizens. Indeed the best (if far from the easiest) solution would be to eliminate the precarious financial position of Canadians that leads to the demand for emergency short term credit in the first place.

4.6 The Emotional Debtscape: Causes and Consequences of Indebtedness

Though it is impossible to parse the ‘emotional’ from the ‘un-emotional’ in debt as in all areas of life, I now turn to the emotional debtscape; that is, the landscape of stressors and emotions through which households must trudge while navigating the ins and outs, the pitfalls and possibilities of drawing on credit. Focusing on the intersections of emotion and finance, and reflecting on borrowers’ conceptualizations of credit, the following section considers what it is that indebted households are using credit for, the variable motivations behind these purchases and the everyday emotional and stress experiences of carrying high levels of debt. Commenting on the connections between indebtedness and mental health, the following discussion elaborates the effects of social pressures and collection activities, as disciplinary actions, in fueling the stress experience of indebtedness.

In the third quarter of 2014, national per capital debt was \$20,891 excluding mortgage debt, while CCS' clients held a higher level at a 2014 mean of \$30,670 (Equifax, 2014b; CCS, 2014). In most cases, the sample respondents used credit for necessities, including groceries, rent, repairing automobiles that were crucial to their employment, and supplies (baby or school) for their children. A smaller number of, often younger, respondents do however admit that their entry to indebtedness came partially from using credit to pay for things that they wanted more than needed. For example, one young man found that he went into debt only after he finished post-secondary school and found a high-paying job in the construction industry. He felt that his major problem was budgeting, particularly because his work was seasonal, but also that he was young and went very quickly from having nothing to having a large disposable income. He explains that he, *"...had never gotten into the routine of paying off bills or loans or whatever... I went from scrounging and scraping to making good money and still scrounging and scraping"* (C4). He also admits to spending money carelessly on large "toys" that he could enjoy with his friends, saying, *"I was probably putting more money into things that I could live without... I bought a dirt bike. I bought another motorcycle..."* (C4).

Another respondent gained access to a large amount of credit when she went to university. Having applied for a line of credit in case her student loan application was denied, she was approved for both and used them in addition to a number of credit cards. Despite working part-time throughout her studies, she accrued a large amount of debt, admitting that her credited spending was, *"[m]ostly recreational. So just a lot of clothing, food... concerts. Part of it was school...the last year of my university I paid rent with it...I was paying only the minimum payments on all my cards and then that accumulated to a lot of interest* (C6). Thus for some respondents, particularly very young borrowers (with both high- and low- incomes) – who are

particularly susceptible to social and marketing pressures – and new immigrants who lack experience with debt, a certain level of *careless* over-spending contributes to indebtedness. For the majority of respondents, however, the context of the credit use was more complex. Once a certain level of debt was accrued, the growing interest payments made it increasingly difficult to cover minimum payments and pay for basic necessities, leaving the principal debts often untouched.

4.6.1 Consumption As Coping

An unexpected trend was a tendency for respondents who were struggling to make ends meet, and drawing on credit to survive, to admit to moments of ‘cheating’ wherein they used credit to purchase some superfluous item or experience as an escape from their difficult daily realities.

This narrative arose repeatedly and in response to a variety of life circumstances, usually related to finances but often entangled with other things, leading respondents to feel that something was missing from their lives. One respondent already quoted confesses to accumulating debt despite being a money-savvy ex-banker. Though the family relied on credit for basic necessities, they also made purchases that they did not need:

But yes, we spent money on things we didn't really need. But I think we were trying to replace something that we didn't have, I don't know. With some emptiness – feeling empty, I think... She missed her family a lot... So, yeah, it was very stressful. And it put a lot of trouble with my relationship with her... But at that time we spent a lot of money. Maybe because we were very depressed being here by ourselves. We bought a lot of stuff. We liked to go out a lot... Yeah, like I said, feeling empty (C7).

This man and his ex-wife are immigrants from Mexico. The daily struggle to survive on low wage employment and odd hours of work (as they could not afford child care) combined with the couple’s loneliness in a new society where they did not have a social network upon which to fall, led to a depression from which they sought an escape in spending. Because their daily lives held

much stress and little joy they each felt an emptiness that they attempted to fill through buying things that they could not afford. The respondent points to some stresses – collections calls at work and at home, as well as the inability to sleep due to stress - that were created by their financial situation and which also enhanced the dissatisfaction with their daily lives, leading to more over-spending.

This coping mechanism of spending to feel momentarily better is common. The single mother quoted previously describes the same, saying, “*But I also found that when I was down, instead of using that money wisely, I was reckless. Because of that whole depression, all of that stress? Whenever I wanted a relief I would spend extra money instead*” (C1). Again, the depression of the respondent’s financial situation, which bled into other realms of her life and life satisfaction, led her to seek escape in spending:

There was so much. The guilt, the shame, there was no sleeping, there was no breathing, there was no working properly. Goodness...It was really tough times. I was shaking most of the time, whenever I went to spend money. And every time I spent – even today when I spend money I feel that, I get a little depressed. Although it used to be that I would go shopping and I would feel better? (C1).

She also found that the stress from the debt had physiological effects, causing her hair to turn white and fall out. She says, “*I did not sleep, I did not rest. Initially, for the first three years, I did not breathe*” (C1). Thus indebtedness affects people in a very tangible way, through depression and through immediate physiological effects. Coping through spending is rarely a sustained action for the respondents but rather a series of brief lapses in what is otherwise a great level of self-control and discipline. The monetary consequences of these lapses vary according to the magnitude and frequency of the purchases, although the emotional reaction is generally the same. The above-quoted respondent sought “*...relief from everyday*” (C1) in occasional restaurant dinners with her children – a relatively modest indulgence – but experienced “*a lot of*

guilt". Guilt, depression and regret are common responses. However, the decision to splurge is not uncomplicated. It is typically a choice – frequently made upon some loved one's behalf. The same respondent explains, *"If I hadn't done that my debt would be less.*

But on the other hand we lived a day, at least 5 minutes, 10 minutes. So I am guilty but I'm not guilty on that end, so I have to balance it out in my mind" (C1). Rather than an impulsive and reckless mistake these spending events are perceived as needed escapes.

These examples illustrate the ways in which debt and household finances are not maintained by indebted households as a separate entity toward which to act rationally and calculatingly. Rather money and debt are deeply and intricately entwined in every facet of debtors' daily lives. In some cases, everyday life is rife with such challenges and strife that money and debt are not the first consideration but the last. One respondent describes her attitude towards debt at a time when she was supporting her common law spouse, who had mental health troubles and could not work, and his young son who needed counseling after several harrowing years living with his mother. She says, *"...it wasn't really on our list of priorities at the time. We were struggling with all this trauma and...we were at a point where, 'Well, what's the point of having a budget? It's so far gone by now' ... Like, we threw caution to the wind with money because we were just trying to get by..."* (C19). Another respondent explains that his suicidal tendencies, both partially caused (according to him) by the social isolation stemming from his financial situation and also reinforced by the stress surrounding his finances, marred his ability or desire to plan, financially, for the future:

I think for maybe ten years I lived under the assumption that I wasn't... going to live beyond another six months to a year; because I was exhibiting a lot of other suicidal behaviours. You know? So, yeah, my long term financial situ-

ation was not on the radar... In many respects I'm very lucky that I survived (C8).

The heterogeneity of life circumstances shines through these testimonies. While households may hold certain stresses, emotional responses and coping strategies in common, individual borrowers' ability to cope with a given financial situation is shaped by the other dimensions and specificities of their lives. This alone renders the portrait commonly offered by the Canadian news media, of the single, irresponsible borrower –rampantly over-spending to fund a lavish and entitled lifestyle – implausible and over-simplifying.

4.6.2 Debt Stress: Loneliness, Fear, Hope and Desperation

These examples, intended to illustrate the complexity of household spending decisions, also offer a glimpse of the emotional, lived experiences of high debt stress. Indeed every respondent indicated high or extreme levels of stress at the peak of their debt (often before they sought help from the Credit Counseling Society). All respondents further recalled strong emotional reactions to their debt stress. Four most common such sentiments were hopelessness, fear, desperation and feeling alone. These often combined to produce or enhance feelings of futility and in some cases mental health issues. A number of respondents also shared that they stopped caring for themselves physically, in terms of exercise, eating well and getting regular sleep. These responses often stemmed from a real or perceived unaffordability of healthy foods but also from diminished mental health and associated feelings of apathy.

Feeling alone stemmed primarily from two phenomena – stigma and embarrassment surrounding household finances and, for couples, a feeling of alienation by one partner who was left to handle (and worry about) the finances by a partner in denial. One respondent expresses the latter point as he describes his responsibility over the household finances in our discussion of loneliness:

*And I was the one in charge of the finances. And I could screw it up, too...
When it came to money – Okay, when we didn't have money I was in charge.
But when we had money, she just, you know, spent money! Ah, I'm not blaming anybody.
But when we were in trouble I was the one who had to answer it (C7).*

His story is somewhat typical among the respondents in that his partner shied away from the topic of finances when they were under financial stress, though among this sample the burden of the household finances more often (though certainly not always) fell to the woman in heterosexual couples. One woman says of her husband, “*Not to throw him under the bus, but... He's never really had a handle on money coming in and out, knowing that there's bills coming up. When he looks at a bank account he sees the number, and he says, 'that's how much I have to spend'”* (C14). When I asked another respondent whether she felt alone as the person managing the family finances she responded:

Of course. Yeah. It was very – it was a difficult time... And knowing that within two years we were in so much trouble. It was very scary for me. My husband... was relying on that faith that God was going to help us somehow... So it would make me more and more stressed and angry... And of course, you know – it was mostly my husband. One of the things is that he's very impulsive. And I'm the one that has to control him. Now he's learning that way. Because, again... we almost got a divorce. It was bad. Because he wouldn't listen (C12).

This respondent raises another unfortunate but common effect of debt stress – stress on personal relationships. This is especially true of romantic partnerships but also manifests in relationships between parents and children. Of the six respondents who were divorced, at least four claimed that their partnerships dissolved in whole or in part due to debt and money stress. Other respondents expressed disbelief that their marriages had survived a period of deep indebtedness.

The loneliness felt by one partner in a couple over money matters is typically born of a lack of communication and is at least partially related to the stigma or embarrassment that surrounds household financial difficulties. Of course single debtors experience loneliness due to

embarrassment and the bottling up of stress related to financial turmoil as well. One young man recalls having difficulty speaking to anyone about his debt, saying, “*It was actually really difficult to talk about with my wife as well... we were just dating at the time. And to admit how much debt I was carrying around with me was a big thing*” (C9). A woman in her second marriage, not sharing finances with her spouse, even chose not to tell her spouse that she was in debt until she, “*had everything in place, my plan with the credit counselling, that's when I told him about it*” (C5). She admitted to me that this was partially due to the shame and embarrassment that she was feeling.

Another common emotional response was fear. This result was corroborated by a credit counselor interviewed for an expert interview, who discussed the emotions that his clients often exhibited, saying, “[*a*] *lot of anger, a lot of frustration. Helplessness. Loss of hope. No hope whatsoever. The stress is the number one thing that everyone would say, I'm sure. And fear is another one...*” (E2). Many of the respondents expressed feeling such fear, which was both crippling and an incentive to seek help. Appendix A presents further examples of respondents speaking about their fear.

Respondents experienced strong feelings of helplessness and desperation, not knowing where to turn for help but knowing that as they struggled more and more to pay just the growing interest and minimum payments on their debts that their situation was not sustainable. Feelings of desperation and helplessness, loneliness and fear often together produced feelings of depression and other mental health issues for the respondents. Stress tended to enhance pre-existing underlying problems, particularly when respondents felt helpless to change their situation. Fear, desperation and depression were particularly intense for those with dependents. One respondent remembers:

Scared. Pressured. No way out. There was hopelessness. There was this immediate need to pay it off and get out of it and run away from it. Lots and lots of emotion. There was so much depression around it. With – the scared feeling of 'everything will be taken away' and I had nothing to be taken away. Couldn't raise my children. I'm a single mom so there was that. How am I going to provide for these children? And how am I going to build my life? There was no 'out' of it; there was no light at the end of the tunnel, even if it was a train to kill me. There was no light at the end of the tunnel. It was just – totally darkness...It seemed like I was given a death sentence and there was no end and there was no day to die either (C1).

Some respondents described strong emotional reactions to losing access to their credit cards and other sources of credit when they signed onto a program with the Credit Counseling Society. One respondent remembers that, “*we cut up our credit cards... I cried! It was the weirdest thing... And she said it's very normal... you were actually saying, 'Okay, I'm committing myself to this'. And by cutting it up I can't go back... So literally you have no – you have no credit!*” (C22). Indeed the expert interviews confirmed that emotional responses to the ceremonial cutting up of the credit cards are very common. This raises a new question in determining the ways and reasons that households in Vancouver use credit, and in considering the causes of high contemporary levels of indebtedness. We should also ask how households understand and conceptualize ‘debt/credit’ in the first place. For example, do they view credit as a means to acquiring goods, services and experiences that would otherwise be financially out of reach, as merely a fact of life, or as a privilege and a useful tool with which to build a reputation of financial credibility? Of course, the answer is likely multiple. However one clear conceptualization that has emerged from the in-depth interviews is an understanding of credit as security: as an emergency resource upon which to draw when times are difficult or unexpected financial strains arise. One woman states, for example:

I'm just like, 'I have the money that I get paid every two weeks and then that's it!'. And that to me was more stressful than having the security of

the credit card, even knowing that I could get back into that debt... You know, I signed up a credit card with like 1000 dollars a month maximum on it... and I knew I shouldn't have done it, but they raised it. And I did it. So that was the stress of Christmas and the stress of him going back to school. It was all at once... So I'm like, 'you know what? I want to have that sitting there in case something pops up' (C11).

This is a clear instance of viewing and reserving credit as safety net, mirrored in the experiences of multiple respondents. The starkest example of this conceptualization comes from a respondent, previously quoted, who fell ill during her pregnancy and whose husband was fired for attending the birth of their child. She expresses her indignation and anger after her long-time bank sent her to collections over a single missed payment on a credit card in this difficult period, despite having a long and healthy credit history with them, noting that her view of credit as security has now changed:

...So, next thing we know, we're sent to collections. Over one missed payment... No notice... Next thing I know collections is calling me telling me I owe them \$12,000 and to pay them right now ...when you're looking at credit card companies, you see them somewhat as a business, but you also think...you're giving them your business. When it's through a bank – your own bank that you've been with for years – you really feel a loss of security... Like, we don't use credit cards AT ALL anymore... I will never trust them again. Not once. You know, I just have no security with it. I just feel like it's better to have only my money...It was like, Okay, if we have an emergency, or we have a large purchase, we can do it through this, and then, you know, we can pay it off... We really didn't know how much things can change and how fast it can become dangerous – like, your financial wellbeing... (C14).

Due to this household's ability to secure high paying employment, their story will end happily. However, for less privileged households, it is possible that these tight financial times and difficult life events may just be too common today, in a time of precarious employment, high unemployment, a retrenched welfare system and stagnant real wages. The emergencies of the past, for many, may now be the norm, instigating (or perhaps necessitating) a more consistent, if not constant, reliance on debt to 'get by'.

4.6.3 Stress and Credit: The threat of collections

Debt and credit become a source of stress, often extreme, even when households manage to make the required minimum payments, before they begin to default on their obligations.

However, once minimum payments are missed and a debt is sent to collections, stress levels tend to rise significantly. This stress stems from no longer being able to make timely payments, but also from the immediate and tangible consequences of such failures. The majority of the respondents pointed to collections calls as being the greatest source of stress related to their financial situation. One respondent describes the feeling of constant collections calls, saying, "*I didn't want to answer my phone! Ever! I would see a number I didn't know and I just wouldn't answer it and I would just dread to hear the voicemail, you know, 'get back to me'*" (C3).

Another respondent elaborates, "*...the stress started coming in when I was getting a lot of calls from bill collectors...even as early as 6 in the morning...The first thing in the day. And I was in a panic mode*" (C11).

Collections calls are an enormous source of stress for already strained and struggling households – a point corroborated by the many respondents that pointed to the Credit Counseling Society's ability to stop the collections calls as being one of that agency's most valuable services. Of course, these emotional and stress reactions are no accident. Collections are intended to serve as disciplinary mechanisms to discourage borrowers from defaulting on their debts. This form of disciplining is blind to the desperate and precarious situations in which debtors find themselves. The intense emotional reactions and strong feelings of guilt that this study's respondents have suffered in relation to missing debt payments and simply in the act of drawing on credit at all are indication that – contrary to the logic of debt collections – debtors default on

their debts because they simply cannot pay; not because they merely do not want to pay. One respondent identifies these disciplinary tactics, explaining:

Yeah! Because you can get like 'x' amount of calls, and 'x' amount of – and you look at it, like, 'ugh', right? Something triggers your decision making to do something about it, right? It's called pressure. That's all it is... You have daily pressures from outside things, like there's work, there's weather, there's life in general. So when it comes to financial, the last thing you want to do is go home and have your phone ringing... You know you can't do it anymore (C10).

One of the more surprising patterns in the interviews related to the collections actions of the British Columbia provincial government when citizens would default on their monthly MSP (Medical Services Plan) premiums. Presumably collections actions are taken after a certain threshold sum of missed payments. According to several respondents, the collections agency working on behalf of B.C. MSP was one of the most aggressive that they had encountered. The above respondent vocalized his frustration, noting that, “...*they were the main ones I wanted off my back... And they phone you at the weirdest times of the day [and] ...of the night*” (C10).

Another respondent confirms this, noting that it was very difficult to negotiate with these collectors when she wanted to be proactive in making payments. She says, “...*B.C. medical. MSP. Yeah. They were very, very persistent... they wanted the whole amount or nothing. They wouldn't take [smaller payments] ...It felt like years they wouldn't let me just make smaller payments...*” (C21).

In fact, the provincial government of British Columbia has shown itself to be highly amenable to such disciplinary measures in collecting its debts owed. In February 2015 legislation was proposed that would allow ICBC (the Insurance Corporation of British Columbia) to withhold drivers' licenses (including refused renewals) to those citizens who had defaulted on their student loan debts (CBC, 2015c). This proposed measure shows a troubling level of

misguidance and a deep ignorance on the part of the provincial government concerning the nature and severity of the plight of indebtedness in which many households find themselves. In Metro Vancouver, for example, many citizen borrowers are only able to find work in Downtown Vancouver, where they find themselves priced out of the rental and ownership housing markets. This is equally true in the suburban municipalities of Metro Vancouver, where most employment opportunities are concentrated in the expensive growth zone of those municipalities' town centres. Thus, many indebted households rely heavily on their driver's license to get to work and earn a paycheck. It is rather unlikely that households that cannot get to work will have an improved access to the monetary resources required to repay their debts – particularly for those whose employment itself hinges on their legal ability to operate a vehicle.

British Columbia charges the highest student loan interest rates of any Canadian province (CBC, 2015c). If a problematic percentage of B.C.'s student loan debtors are struggling to repay these loans, the province might consider lowering or waiving such interest as a progressive alternative to such disciplinary tactics. Rather than joining in on such disciplinary and exploitative actions, governments are uniquely positioned to help struggling households by lowering or waiving interest rates, offering payment plans, extending due dates, and forgiving certain debts where possible and appropriate. Given the extensive mental health consequences of indebtedness evidenced in this study, the state should further oversee and regulate collections companies that serve little other purpose than to frighten already battered borrowers.

4.7 Social Pressures: Constructing the Joneses

A final distinct cause of debt that emerged from the qualitative interviews is the use of credit for purchasing goods or services with the aim of maintaining social standing. Social pressures manifest themselves in household spending habits in two ways: spending on goods and services

to maintain or create an illusion of high social status and spending on group activities to maintain social inclusion. Whether they had experienced the guilt of spending on unneeded evenings out with friends, the embarrassment of abandoning such activities, or the discipline of avoiding these social expenditures altogether, the respondents overwhelmingly initiated discussions of drawing on credit to maintain social status and relationships.

Two important points emerge. First is the potent effect that perceived stigma and social pressures have on households' financial practices. This is observable when households succumb to pressures to (over-) consume for the maintenance of social standing. Second, and related, is the set of detrimental effects on individuals' mental health, born of the perceived social isolation accompanying frugal spending practices that preclude social activities that cost money. One respondent explains:

Yeah. I definitely did [feel alone]. Because this isn't something you're talking to your friends about. You're not telling them. 'Oh, well, we'll just say 'no', we can't go out to dinner, oh, the baby – ', when really it's because, 'Hey, we don't have any money. We can't come out with you. We can't go to that concert with you. We can't go have dinner. Because there's no money'. And then you lose your friends. Because you keep saying no, they stop asking. So we felt really alone. And it's still something that we struggle with... (C14).

This effect is enhanced by the stigma surrounding personal financial failures, which limit households' ability or desire to communicate to their social groups the true reason for their reclusiveness. Both scenarios (succumbing to social pressures to consume and resisting these) have the potential to be destructive to mental health. First, this is because of the stress and guilt wrought from giving in to the temptation to (over) spend on extra-necessary activities. Second, this operates through the feelings of social exclusion, loneliness, embarrassment and failure that

come from denying oneself the pleasures that seem ‘normal’ and easily accessible to those around us.

The power of such social pressures and norms is evident not only among households that must suspend costly social and recreational activities to which they are accustomed, but also among those who routinely deny themselves such extra pleasures in the context of limited or over-leveraged household financial resources. In addition to the sense of social exclusion that this can foster, it is emotionally difficult for low-income and indebted households to observe, and to naturally envy, other members of their social network and neighbourhoods as having things and enjoying experiences that they could never afford. One respondent describes the feeling:

My friends would ask me to go out – 'No, no, no. I don't want to'. Because I was embarrassed... You know, some of my friends know that we're dealing with things, and whatnot, but a lot of times we'll just make up excuses why we can't do it. 'Oh, you know, I've got this, can't'. But it's always because we don't have the money for it... My best friend? Her husband-to-be is really well off. They have a really nice house. My boyfriend hates going over there... Because he hates hearing about his friends – how they talk. They don't talk about money but they talk about all the stuff they do. Because they've got a lot, right? And it's sad." (C13).

Thus for borrowers struggling with their finances despite *not* spending on socially oriented pleasures, the combination of their own financial struggles with observations of others that appear to have more resources can influence mental health and lead to feelings of frustration, despair and depression. Hence a relationship between envy, mental health and indebtedness is intuitive at the least. An institutional study in the United Kingdom has indeed found higher levels of indebtedness and greater difficulty in debt servicing for people who are, “*envious of what others have*” (McKay, 2005: 28), and the present qualitative study supports this association in the context of Metro Vancouver.

Consider the quotes provided in Appendix B, which demonstrate a recurring theme in the qualitative interviews – an evocation of the common 20th century idiom, ‘keeping up with the Joneses’. The phrase ‘Keeping up with the Joneses’ refers to the social compulsion to have, or appear to have, the same material goods and wealth as those around us – our neighbours. As idioms go, this one is discursively powerful. Twenty-one per cent of respondents made direct reference to the expression – most frequently in response to the question, ‘*why do you think that Canadians are taking on so much debt these days?*’ The majority of the allusions were offered by respondents who did not self-identify as routinely yielding to the temptation of engaging in spending choices that, for them, signified attempts to ‘keep up’ with the Joneses or other less infamous neighbours and peers. This pattern suggests that even those who choose not to ‘overspend’ in order to maintain the image of a respectable social standing are nevertheless equally or, perhaps, *more* affected by comparisons of their own standard of living with that of their ‘neighbours’ (members of their social groups and cognitive geographies). This is evinced in the slight but common tone of proud, if bitter, rebuke present in such respondents’ idiomatic evocations of the Joneses, signifying a marked desire to also have what the metaphorical Joneses appear to have.

The above findings are not particularly shocking when income inequality is taken into consideration. Given the increasing availability of consumer credit (often regardless of income level), households that do not have adequate income to pay for basic necessities or – particularly for those living above an established poverty line or low-income cut-off – those goods and services that are a social norm in a given society will now turn to debt in order to have what others (seem to) have. Because those who require debt to acquire basic necessities have more trouble saving for the things that offer social status and inclusion, this is an unsustainable

solution that only superficially blurs the line between ‘haves’ and ‘have-nots’ (Dorling, 2010). Today, then, it tends to be the combination of an earnings-to-cost of living mismatch and consumer debt that enhances social distance. With rising inequality and the increasing visibility of the rich (through traditional and social media and the internet), those with greater resources tend to set the bar on social norms, which is pushed ever higher. This greater visibility and social distance between low- and high-income earners affect mental health.

Metro Vancouver exhibits some of the highest levels of earnings, income and wealth inequality in Canada (Bolton and Breau, 2012; Walks, 2013c), easily visible in the city’s landscape, which is dotted with multi-million dollar houses and luxury cars. Inequality itself is correlated with a variety of social issues, including high crime rates, drug abuse, poor population mental health, and low life expectancy (Wilkinson and Pickett, 2010; Dorling, 2010). Research suggests that unequal societies also suffer more from mental health problems as a consequence of emotional reactions to being undervalued and treated unfairly (Mendes *et al.*, 2008; Wilkinson and Pickett, 2009; Breau and Essletzbichler, 2013).

While the emotionally driven desire to fulfill social norms certainly influences household spending, saving and borrowing choices, it is interesting that few if any of the study’s respondents’ claimed or appeared to draw on credit to buy ‘luxury’ goods (such as a new car, large home or other stereotypical status symbol) with the aim of exhibiting an untruthfully high social standing (based on finances). Instead status-related indulgences tended to be limited to social occasions, such as attending or purchasing an expensive dinner for friends, attending weddings and birthdays, or going on vacation trips out of town. Indeed it was only those respondents who regularly denied themselves such indulgences that perceived others in their society as overspending on consumer good luxuries to maintain appearances. This suggests that

this effect (and the notion of rampant, irresponsible consumerism by borrowers) may be more nuanced than is often supposed, with the desire for social inclusion overpowering the desire for ‘stuff’.

The barrage of corporate marketing and accompanying shopping malls to which households are exposed, encouraging ever-higher levels of consumption and producing more distorted norms, enhances these processes. As one respondent, a Colombian refugee, articulates:

The way you live down there [Colombia] with the minimum wage, you live, and you survive. Here, even making more money it was even more difficult. It was kind of strange. You know? Like, it's a culture thing. You are here and you are making money, so let's spend it. And the media, everything is telling you 'buy this', 'have that', you know. And we just cave into it. 'Yeaaaah, okay! Let's do it. Let's consume'. We went into debt because of that. (C12).

In their examination of housing markets, Christie *et al.* (2008: 2296) assert that, “*housing transactions are emotional as well as economic affairs*” and that “*housing markets are propelled by a search for returns on emotional as well as financial investments*”. This qualitative case study of household indebtedness in Metro Vancouver suggests that under such pressures – to consume goods, to consume credit, to maintain social standing and to lead a good life – household financial decisions are not merely economic calculations but emotionally charged choices. This goes a long way in explaining the ‘causes’ of indebtedness when households seem to act beyond the rational budgetary calculations of need and future ability to repay.

4.8 Repaying Debts: Changes and Sacrifices

What coping strategies do households employ to deal with high debt stress? What services do indebted households need to help prevent, cope with, and solve high indebtedness? In this case, ‘coping strategies’ are conceptualized as any explicit changes or actions (positively or negatively perceived) taken by a member of an indebted household with the aim of reducing a debt load or

as methods of emotionally, financially or physically managing changes that are consequences thereof. Such strategies provide insight into the possible services and supports from which indebted households may benefit.

When engaging in CCS' DMP or CP services, the first and often most dramatic change that households make to repay their debts is the cessation of credit use altogether (aside from existing securitized debts that are not included in such programs). For those who are accustomed to conceptualizing credit as a form of security this is a difficult step. For many others, formal detachment from the world of credit (and its temptations) brings relief. Such relief is equally a product of CCS' ability to appeal to creditors to waive most of the accumulated interest on the clients' debts – without which the credit purge would be financially much more difficult. Beyond this crucial initial step of ceasing to draw on credit, other budgetary changes are often necessary to realize debt repayment.

Most households require some budgetary sacrifices, though it is not always necessary for higher income earners who are more likely to have become indebted due to financial mismanagement (failing to repay debts immediately despite having the funds) rather than a lack of resources, or for those who fell into debt during a temporary period of unemployment. Because most households are already at a desperate stage of, "*stealing from Peter to pay Paul*" (C1, C22, C24) by the time they approach CCS for help, the remaining budgetary and financial changes that could be made to ensure their ability to make their monthly debt repayments are often significant.

To consistently meet their payments households may begin by indefinitely eliminating 'superfluous' expenses. Most respondents did not have large indulgences to eliminate, but rather pointed to small comforts such as eating out as having been a primary target in achieving their

austere budgets. As one respondent articulated, *“it's not the fact that I bought a brand new car with it, that I had all this [debt]. It was always just buying small things here and there. And they all added up”* (C13). For example, younger respondents tended to point to *“partying”* (C9, C21) as a major extra expense to be reduced. Other common strategies were to decrease or eliminate driving to save on gas and to cease going on *“trips”* (C6, C21) and vacations away from home. Those who chose to occasionally engage in such activities during their debt repayment generally took pains to plan and save for it in advance (easier once interest fees on debts are waived), where in the past they would have turned to credit with the intention of, *“dealing with it”* (C13) or *“figuring it out”* (C22) later.

Some households, particularly those whose debt is born of a discrepancy between income and cost of living rather than spending on extra ‘luxuries’, turn to more dramatic sacrifices that may impact (perceived) household quality of life. Further, debtors with the least financial ability to repay their debts often experience feelings of guilt from using credit to purchase basic necessities. One respondent exhibits this as she describes her debt accrual, explaining, *“Sometimes it's just going to the grocery store and buying things you don't necessarily 'need'. It's one of those things, like, where you go to the grocery store hungry and there's your mistake”* (C13). For debtors that have become reliant on credit for necessities such as groceries, budgetary sacrifices during repayment frequently involve scrimping and saving on food purchases. For families, planning shopping around the use of coupons and flyers for sales savings can be beneficial. Some households turn to bulk stores in order to benefit from economies of scale, though this can involve time-consuming planning and driving to far away bulk stores, can result in repetitious meals and a dearth of fresh produce in a household’s diet, and may not be practical for single-person households. As one older, single respondent states, *“You don't really benefit*

from sales when they're aimed at families. You don't benefit from buying two dozen K[raft]D[inner] boxes in a wrapped piece of plastic expecting not to be tired of it after two weeks..." (C10).

Low-income debtors that are medically able to work often hold physically demanding employment, which can enhance the physiological consequences of a poor diet. One young, full-time Early Childhood Educator recalled that when she was deepest in debt she, "...[couldn't] afford to eat properly, right? So that makes a huge difference...Losing weight. Like, I got pretty skinny, pretty thin...I work in a daycare, so it's exhausting" (C20). Because applying such frugality to a diet can lead to a real or perceived decline in the standard of living, most of these budget-balancing, economizing measures tend to be considered temporary by debtors. One woman explains that she views the use of coupons as a useful tool to employ during tight financial times, saying, "...I still use it every once in a while. Not as much... And when I want to go back to saving, like, pay down our credit cards, then we go back to living like that. And it's just kind of... a good tool?...It gives you something to fall back on" (C16). Thus it is unclear whether borrowers, particularly those with low-incomes, will carry such frugality forward after their debts have been repaid, or whether they will again become reliant on credit.

For families with young children, the need for (and unavailability of) affordable childcare can mean that the sacrifice to be made during the debt repayment period is employment. This is a challenge for both women and men, and is particularly difficult for lone-parent families. Because of the gender-pay gap that continues to exist in some industries and locations in Canada, female-headed lone-parent families may suffer most from a deficit of affordable childcare (McInturff, 2015). The most common scenarios wherein childcare affects employment include having spouses respectively work during the day and night so that one parent is always with the child;

taking a lower paying job with more regular hours in order to be at home when the child is not in school; having one parent work while the other stays at home because childcare costs exceed the parent's potential salary; and accepting a perceived lower quality of care in order to work and manage the child care expenses (particularly for lone-parents and those on social assistance). For debtors that have family or a strong social network in their area of residence, childcare is often less burdensome.

As housing typically represents a household's greatest regular expenditure, it is unsurprising that many households choose or are forced to change their residence. Various common strategies include finding cheaper accommodation (*via* downsizing, reduced quality or finding a cheaper, less central location), living with relatives or living with roommates. One respondent and their spouse chose to live on their boat for 30 months (rather than selling the boat) while they made their debt repayments. For larger families, downsizing can be a major sacrifice, while living with parents – though a valuable option – can negatively impact self-worth. Further, there is a trade-off between relocating to a cheaper, but less accessible location *versus* living in a more expensive central area that is closer to employment opportunities. The availability and cost of public transit or vehicle use and the value of a debtor's commute time are common deciding factors in this choice.

Homeowners will prioritize mortgage payments to preserve homeownership, which often holds emotional and symbolic value. If the residence or mortgage is deemed larger than affordable or necessary, the household may rent out suites, downsize or shift to a rental property. However, very few of this study's respondents were homeowners, suggesting that renters are more vulnerable to high consumer debt stress. This is unsurprising, as households with assets (and sufficient equity) have more options in managing their consumer debts, such as

consolidating higher interest debts into a Home Equity Line of Credit (HELOC). Debts held in HELOCs have increased in Canada since the 2008 financial crisis, particularly at times when consumer debt levels have decreased (indicating this transfer) (Bank of Canada, 2009a). As housing is important to mental health and perceived quality of life, this represents a useful temporary measure to help indebted households free extra funds for faster debt repayment.

As already discussed, a common response to debt stress and life dissatisfactions is to spend money in order to feel better, to ‘fill a void’ – in other words, spending as a coping mechanism. Borrowers must suspend such spending during debt repayment. However, while some of the lifestyle changes made to enable debt repayment are considered difficult – hopefully temporary *sacrifices* – extra-necessary spending as an emotional and stress-related coping mechanism is often easier for borrowers working to repay their debts. This is due to the positive feelings that came for most respondents when they contacted the Credit Counseling Society and made plans to square their debts. Because of the relief, hope, motivation and sense of accomplishment that come with having a concrete plan for debt repayment, borrowers are less inclined to invoke spending as a coping mechanism, which often results from feelings of despair. This emotional shift illustrates the extent to which mental health is deeply entangled in households’ financial status, experiences and actions; it points to the mutual effects that the changing emotional complexities and circumstances of daily life have on everyday saving and borrowing and *vice versa*. Clearly, then, mental health should be a serious consideration in any services and resources offered or solutions proposed to help indebted households eliminate their debts. It is to these services that I now turn, in the concluding segment of Chapter 4.

4.9 Services and Solutions: Getting out of Debt

Given the evidence gleaned from this qualitative study, what services do indebted households need to help prevent, cope with, and solve high indebtedness? While the services and solutions that will be most valuable to debtors vary according to household make-up, life circumstances, income-level, and the presence of a social network and other resources, some general recommendations can be made.

4.9.1 Mental Health

Evident in the empirical data is that mental health is a crucial component of the way that households spend and manage credit/debt. Sixty-three per cent of respondents (15/24) pointed to one of two of CCS' functions as being the most valuable service that they received from that agency: 1) The credit counselors' ability to advocate on their clients' behalf, negotiating with creditors to waive interest fees and set up payment plans, and halting distressing collectors' calls; and (more frequently) 2) the non-judgmental support function and empathetic listening performed by the counselors (see Chapter 5 for a discussion of this service). The former points to a clear need for enhanced oversight and regulation over the actions of debt collection companies. The latter service was overwhelmingly the most commonly praised function of CCS by the respondents. The quotes below, and more in Appendix C, are a sample of client testimonies that evince the overwhelming appreciation of such services. Respondents emphasized in particular the relief, empowerment and stress reduction that they experienced from being given a goal towards which to work, and from being given *hope* that they could one day be debt free. This valuation of the agency's advocacy and empathy role points to the importance of attitude, motivation and mental health in borrowers' ability to adhere to strict budgetary regimes and

other challenging changes during debt repayment and the overcoming of household debt burdens.

“And it felt a lot better [laughs]... Oh yeah. That first meeting that, that first ten minutes. Just to know that there was an option. Right? So... There was relief. The fact that I had options. That I knew that I could fix this. If I really tried. If I really focused on it. There was hope that I can make better choices in the long run.” (C13)

“What I found was the girl in the office was just so extremely helpful and she gave us hope. And I think that's what we needed... She gave us an indication that this is doable. It can be done. And I that was the ultimate thing... I had gotten to the point where we were going there thinking maybe we'd have no choice, we'd have to declare bankruptcy... I just thought it was invaluable what they did for us.” (C22)

And indeed attitude and motivation are crucial in debt repayment and the frugal lifestyles that are often necessary during repayment. For example, negative emotions of social isolation and loneliness are enhanced by the perceived stigma associated with debt and financial difficulty and the embarrassment that such a perception breeds. They are compounded by the (perceived) inability to explain to friends and acquaintances the reason for antisocial behaviour. The need to cut extra enjoyment out of their lives due to finances can lead to depression and feelings of alienation, which may cause individual borrowers to spend more in moments of escape from such feelings, creating a difficult cycle from which to break. When households must scrimp and save in order to keep up with their debts and bills, but still only manage to make minimum payments, they commonly experience feelings of despair and futility, and a seemingly permanently reduced quality of life. These sacrifices often do not cease once a borrower begins a repayment plan, which commonly constitutes a large portion of a household's budget. In fact, borrowers may need to become more stringent still in denying themselves even simple pleasures and small extra expenses during this period. Thus positive mental health, including feelings of

hope and progress, is a fundamental component of successful debt repayment. Moreover, the experience of a difficult but successful debt repayment process is likely to decrease the likelihood of future indebtedness.

These patterns suggest a number of insights for policies, programs or services that aim to tackle the causes or consequences of indebtedness. Plainly, psychological counseling must form a core component of services and solutions formulated to tackle the causes and consequences of high indebtedness. A starting point is for services like CCS and bankruptcy trustees to create (or continue providing, in the case of CCS) safe spaces in which debtors feel able to reveal their psychological stresses, and to offer proactive information about (and referrals to) free or affordable mental health counseling services –not currently a routine practice of CCS or similar organizations. Though BC MSP typically does not cover mental health services, some free or affordable services do already exist in British Columbia⁵, therefore a major goal in debt reduction programs and services should be to raise awareness of, and expand, existing services. Support groups for indebted individuals may also help. An important factor in accessing such services and revealing finance-related mental health issues is stigma, both surrounding mental health and household finances. Thus efforts and campaigns to reduce cultural stigma surrounding both mental health and debt and finances in general, and a greater openness in discussing these, are paramount.

⁵ For example through WorkSafe BC, First Nations Health Services, Income Assistance, Family Services of Greater Vancouver, Pacific Centre Family Services Association, Addiction Services, Community Mental Health Services (<http://www.psychologists.bc.ca/faq/who-pays-services-registered-psychologist>)

4.9.2 Community Services

Affordable and accessible community programs and facilities, such as churches, choirs, or sports leagues, from which therapeutic mental health benefits may be derived are valuable for individuals, as are support groups for households with special needs, such as lone-parent families, families of divorce, and survivors of violent or emotional abuse. The study respondents found value in community services such as food banks (to ensure the physical health of severely debt stressed households) and services that provide holiday gift and food baskets for low-income families with young children. These tend largely to be antidotes to the consequences of large debt burdens, however, and therefore should be considered coping mechanisms more than preventative measures or solutions.

4.9.3 Interest Rates

The ability of credit counseling agencies such as the Credit Counseling Society to arrange for interest fees to be forgiven on existing debts is enormously important in ensuring (if not creating) the ability of highly indebted households to repay their debts, making it the key to such agencies' success. This raises important questions about the interest rates charged by mainstream financial institutions and other lenders, and whether they are unreasonably high. Space constraints preclude the possibility of an appropriately thoughtful discussion of mainstream interest rates here. However, a clear source of financial distress for indebted households is payday lending institutions and their predatory, high interest credit products. Less clear are the appropriate reforms to take in addressing these products. As detailed in the above section on payday lending, there is controversy over the relative merits and dangers of payday lending, which promises last resort funds to borrowers in times of emergency and amidst a void of feasible alternatives for quick cash. It is this author's opinion that payday lending should be banned entirely, given the

evidence of the dire effects it has had and continues to have on vulnerable households. However, given the volumes of business achieved by payday lenders, it is clear that there is some need for ‘short term’ small loans (that is, the services that payday lenders promise but often do not deliver) or some alternative to these. A possibility is for non-governmental organizations to offer such small, short-term loans to borrowers, in demonstrable need, for little or no interest. One potentially hopeful action has been taken by B.C.-based credit union VanCity. Since April 2014, VanCity has been offering their ‘*Fair & Fast Loan*’ program, which provides small, short term and low-interest loans to customers with low- or unstable income (Griffin, 2014). More research is needed to envision or recommend such services in more detail, and it is beyond the scope of the present study to do so.

As discussed in previous sections, affordable child care and housing options – often the largest components of the household budget for young families – should also factor into government policies that aim to address high and rising debt stress. Indeed the mismatch between cost of living and incomes in Metro Vancouver is perhaps the most crucial point of intervention in addressing rising household indebtedness. This means that such interventions must aim beyond the individual-based services highlighted above, which may only ever constitute ‘band aid’ solutions to a much larger problem, and consider broader – though difficult – societal changes aimed at borrowers as a vulnerable (though not agency-less) collective. Tackling the factors that are thought to enhance income inequality, such as rehabilitating the social security system, enacting fair minimum wage legislation to see wages rise with costs of living, and support for collective bargaining, should be considered, while in Metro Vancouver addressing housing affordability is a clear goal and starting point (Florida and Mellander, 2013).

4.10 Conclusion

I argue that two broad sets of factors contribute to high household indebtedness: a) poor spending choices and financial mismanagement, and b) structural disadvantages, strong marketing of credit products, and interruptions to income. The latter are disproportionately present for lower income borrowers, single-parent families, young borrowers, and (especially marketing pressures) recent immigrants, while the former are more prevalent among higher income, professional households and, again, young and new immigrant borrowers, though complexity and nuance colour both cases.

The results presented in this chapter suggest that some of the primary causes of debt among the study's participants are the unexpected loss of employment, other unexpected life events such as marital dissolution, starting a family or falling ill, and the wide availability of credit products, especially high interest credit cards. I have further argued that periods of indebtedness are sometimes due, as propounded by the mainstream media, to individual mismanagement of funds or poor or irresponsible spending choices. This is especially the case for young borrowers and recent immigrants, who face strong and targeted marketing pressures by lenders and have less knowledge and experience upon which to draw. This finding gives some credence to the financial literacy and financial education initiatives that are increasingly suggested by credit counseling and government agencies as being the primary point of intervention in rising household indebtedness. However, over-spending among other groups is far more complex and nuanced than damning media tropes suggest. For higher-income professionals – the primary culprits of careless spending – leveraged consumption is entwined with real and perceived social pressures to consume, by corporate marketing and peer groups. Emotions play a large role, as either cause or consequence of such choices. For all debtor types,

dissatisfaction with other aspects of everyday life, financial struggles (particularly for low-income households) and indebtedness itself lead to spending (and borrowing) as a coping mechanism for dealing with negative emotions and stress.

Thus the story of debt accumulation is clearly more complex than a simple tale of overconsumption and a deficit of individual financial knowledge and responsibility. Instead a landscape of precarious employment – one with important financial and psychological consequences for its workers – emerges from the backdrop of a neoliberal state system in late capitalism. What is truly shocking about these experiences is the rapidity with which debt can accumulate when a household is faced with even a brief economic shock. The structural factors behind rising indebtedness are not surprising, yet dominant discourses (to be explicated in the next chapter) hearkening to individual immorality and a societal (or at least a lower- and middle-class) plummeting of rational self-control as the causes of high household debt are still taken up by the media and perhaps, ultimately, by debtors themselves, as the sole or primary cause of debt stress. The discrepancies between media representations and interviewee testimonials of the causes of indebtedness are considered in Chapter 5.

Chapter 5: Discourse and Experiences of Indebtedness

Scholars of everyday life typically critique the colonization and homogenization in consumer society, by forces of capitalism, of the diverse experiences of daily life (De Certeau, 1988; Lefebvre, 1991, Langley, 2008). As suggested by Langley (2008) and as demonstrated by cultural scholars of finance (*e.g.*, Martin, 2002), in financialized politico-economic systems such as 21st century neoliberal states, these forces of homogenization may take new forms as the everyday lives of citizens are increasingly connected to financial markets at multiple scales. Chapter 4 attended to the heterogeneity of the financial experiences of indebted households in Vancouver. In the present chapter I seek to uncover whether and how the nuances of everyday debt experiences are erased by the print media and replaced by a singular portrait of the entitled and irresponsible over-consumer. I compare self-reported causes of indebtedness to the explanations offered by the print media and credit industry experts, and consider the origins and effects of possible discrepancies.

I aim to establish that indebted households in Metro Vancouver are exposed, through the media and experts in the credit industry, to disciplinary, or normative, discourses that demand the performance of multiple competing and contradictory financial subjectivities, as theorized by Langley (2008) and elucidated in Chapter 2. I further aim to determine whether these conflicting subject positions are an important source of stress and (often negative) emotional experiences for indebted households. A brief summary of Langley's (2008) portrayal of neoliberal financial subjects and their self-disciplinary technologies will establish the theoretical context within which to critically consider representations of indebtedness in the Canadian news media and the extent to which these are embodied and performed by borrower households. The chapter

concludes the qualitative study portion of the thesis with a discussion of financial literacy initiatives.

5.1 Uncertain Borrowers

Recall the intervention made by Langley (2008), elaborated in Chapter 2, writing in the context of neo-liberal, financialized states in Anglo-America. Using the Foucauldian concept of governmentality he posits that neoliberalization and financialization have brought individuals (*not* financial professionals) into contact with global (or multi-scalar networks of) financial markets and flows, and entailed the creation of new neoliberal financial subjectivities. These subject positions are performed through individuals' saving and borrowing practices, which have been transformed, and their employment of new self-disciplines. These performances are called up, authorized and reproduced by financial actors and neoliberal institutional regulatory programs *via* normative (or 'disciplinary', following Langley) discourses and calculative technologies of the self. For Langley, new financial subjectivities are an extension of the favourite subject position of the neoliberal state – the entrepreneurial self – and as such their performance is predicated on the expectation that their responsible embodiment will lead to individual freedom and security in the future. This element is paramount in the context (and execution) of neoliberal government programs, which typically necessitate austerity measures that shift social security provision from a collective form through the welfare state to individual responsibility for security. Individual, self-interested entrepreneurial action, often involving the rational embracing and managing of risk through the application of allegedly 'scientifically objective' calculative technologies (*e.g.*, investment risk management, portfolio diversification and budgeting), is held to be the most honorable means of achieving financial security and, through it, freedom.

Langley emphasizes two new types of financial subjectivity under economic financialization and neoliberal state programs: the everyday investor and the responsible and entrepreneurial borrower (summoned through expanding mortgage and consumer credit networks). He also recognizes multiple other pre-existing financial subject positions of continued importance, including the worker-entrepreneur and the (liberal) consumer. While Langley is not unique in identifying the calling up of various financial subjectivities (*e.g.*, Martin, 2002; Aitken, 2007), he makes an important intervention in the financialization and debt/credit literatures. He critiques (2008:34) previous representations of the self-disciplinary performance of financial subjectivities as being, “*a somewhat mechanical process that is far from precarious*” and performed “*in a relatively unproblematic fashion as the processes of financialization and neoliberalization march on*”. He condemns the practice of allowing everyday financial subjects, “*...to appear as artefacts of, and not architects in, transformations*” (2008:34). Rather, for Langley, the performance and embodiment of new financial self-disciplines are contingent and contradictory more than they are smooth, unproblematic and complete, resulting in the production of multiple uncertain subjectivities that contradict the others’ performance.

Because the authority given to the neoliberal investor and borrower are predicated on appeals to the predictable and certain attainment of future individual autonomy and financial security, uncertainties – performative tensions – arise in at least two instances. The first is when the assurance of future security is called into question, as in the case of the everyday investor failing to accurately predict and manage future uncertainty through calculating and embracing risk in financial (*e.g.*, stock and mutual fund) markets (the performance of which can never truly be accurately predicted). While investing is presented as a straightforward, rational and calculable act, for everyday investors it often results in information overloads, expensive fees,

uncertainty and anxiety and unrealized returns, which can lead to a generalized rejection of investment and other forms of saving (imperiling future security). The second instance is when the calculative technologies-of-the-self required to perform one subjectivity contradict or interrupt the successful performance of other financial subjectivities. For example, consider the simultaneous performance of the investor, the consumer and (more traditional subjects) the thrifty-saver and worker-entrepreneur subject positions. The investor is required to provide their own financial security for retirement in the absence or curtailment of employer- and state-provided pension income. The consumer (often crucial to economic growth in consumerist societies) is also summoned through appeals to individual autonomy *via* discourses of individuality and consumer choice. An individual is called upon to simultaneously perform these positions, along with the thrifty-saver and the worker-entrepreneur subject, whose performance embodies changes to work in the precarious neoliberal labour landscape of temporary, part-time and contractual employment. The performance of multiple financial subjectivities thus results in a competition for limited financial resources, which results in the incomplete performance of each position.

The responsible borrower subject – the most interesting personality for our purposes – entails a performance necessitated by greatly increased access to consumer credit in 21st century Anglo-American nations (and beyond). The borrower exists in tension with other financial subjectivities, particularly the investor subject, as consumer credit allows for deferred payment for present consumption. That is, borrowers are able to consume in the present without first engaging in earning or savings activities (Langley, 2008: 110). New calculative self-disciplines are required for borrowers to maintain good standing through credit scores and to reconcile competing demands for present and future earnings (which must at once go toward consumption,

revolving credit payments, mortgage payments and investments for future use in retirement). According to Langley then, the steep increase in household debt levels over the last several decades is not evidence of a shift, “*from thrift to spend-thrift*” (2008: 185) but a displacement of thrifty saving (and insurance) by the self-disciplinary and calculative performances of new borrower subjectivities.

5.2 Debtors in the Media

Of course for present purposes the responsible and entrepreneurial borrower subject is of particular interest. An assessment of articles printed between January 1, 2013 and August 15, 2015 in the two most prominent Canadian national newspapers (the Globe and Mail and the National Post) that take Canadian household debt as a primary or significant secondary theme facilitates an evaluation of the extent to which such publications, in their treatments of household debt, agree with the self-reported causes of indebtedness presented in Chapter 4. Conversely, the extent to which they erase the multiple experiences of indebtedness and replace them with a singular representation of an entitled, irresponsible, over-consuming borrower may also be assessed. These publications are noteworthy due to Canadians’ broad exposure to them and the messages that they propagate, while the 2013 to 2015 period captures the increasing media attention that household debt levels are now receiving.

It is immediately clear upon engaging with the Canadian national news media that normative discourses calling up performances of the responsible borrower and other financial subjectivities are present in the Canadian media landscape. The responsible borrower subject is discursively promoted primarily through shaming narratives evoking its converse – the apparently rampant ‘entitled’ (Brent, 2013), over-spending borrower pursuing ‘instant gratification’ (Leong, 2013; Leong, 2014a; Maley, 2015) – that appear in news reports and

editorial and advice columns alike. Representations of the irresponsible borrower are less homogenizing than expected but typically appear as one of two iterations: the uncaringly irresponsible borrower and the unknowingly irresponsible borrower, presented – framed as a financially illiterate victim of the Canadian education system – as a prime potential beneficiary of the healing powers of financial literacy. Regardless of the degree of debtors’ supposed financial atrocities (repugnant, disgraceful or merely idiotic) these borrowers have the common habits of spending – often impulsively – on ‘*wants*’ rather than ‘*needs*’, consuming unnecessary luxuries in place of thrift and committing the cardinal sin of ‘*living beyond their means*’ by ‘*spending more than they earn*’ (Leong, 2014b; Grant and McMahon, 2015; O’Kane, 2015; McMahon, 2015).

The normative discourses appear under widely ranging themes, frequently targeting one or another sub-group of the indebted, with students, ‘millennials’ and seniors among the most popular targets. The narratives tend to berate borrowers (normally as a collective but also individually, in advice columns for example) for certain actions or inactions. For example, students and young adults (‘millennials’) are frequently ridiculed for making financially inept educational decisions. They either insufficiently weigh the pros and cons of accruing student debt with the realistic employment and income payoffs of such an investment, enroll in the Liberal Arts, Humanities or Social Sciences rather than professional, entrepreneurial or science and engineering fields that are better tuned to the current labour landscape, choose a university degree over a ‘trade’ or apprenticeship (invoking a responsibility to fill the occupational fields needed for healthy national economic development), or indeed feel ‘entitled’ to post-secondary education at all (see for example Carrick, 2015a). Young adults are characterized as having been raised to be entitled and un-conscientious credit consumers from a young age, purportedly

having free use of a credit card and online shopping privileges from birth, and hardly understanding the value of money (see for example Leong, 2014c; Rasbach, 2014; Richer, 2015). Adults at or approaching retirement age (if financially able to retire) are admonished for maintaining luxurious but unaffordable lifestyles financed on credit. One representative article claims that, “*The retired generation, despite seeing their savings dwindle, are resistant to changing their lifestyle habits. They are turning to credit to support these habits, or find themselves on limited incomes and use cards to make up the difference...*” (Richer, 2015), while another chides, “*...baby boomers heading closer to retirement need to realize that some of them are saving less and borrowing more because they choose lifestyles they cannot truly afford*” (Globe & Mail, 2013).

More general reproaches condemn allegedly extensive borrowing to fund discretionary consumption including new and luxury vehicles and homes (see for example Keenan, 2014 and McMahon, 2015) and an overall engagement in a “*borrowing binge*” (for example Blackwell, 2015; Carrick, 2015b; Globe & Mail, 2015; Lam, 2015) to fuel Canadians’ “*addiction*” to (Grant & McMahon, 2015) or “*insatiable appetite for*” (Marotte, 2014) debt. The responsible borrower subject itself (*versus* the irresponsible borrower) is directly called up in the assessed news media sources as well, though less frequently. This is most commonly the case in ‘advice’ columns exhorting borrowers to be financially responsible (see for example Health, 2015; Dixon, 2015; Marr, 2015) or when a columnist takes the position that Canadian household debt, though having reached record levels in 2014 and 2015, is not worryingly high. Such assertions typically accompany invocations of Canadians’ ‘responsible’ borrowing habits (see for example Gordon, 2015). For some, ‘responsible’ borrowing, means that households are borrowing for investment purposes or home renovations through mortgages and HELOCs instead of high interest credit

cards, while more often evidentiary reference is made to declining proportions of credit card debt, low insolvency rates, low debt-service-ratios and rising net-worth (the validity of such arguments is discussed in Chapter 3) (see for example Parkinson, 2014; Wentz, 2015).

These newspapers do provide evidence to support Langley's (2008) suggestion that the self-disciplined responsible borrower subject is called up through pressures to employ calculative technologies of the self. These are particularly visible in advice columns for those preparing for major life events such as family formation, home-ownership and retirement and columns offering 'tips' for paying down debt. Calculative technologies are typically presented as simple, rational (scientifically objective) and reliable – often timeless and 'common sense' in nature (making their logic difficult to refute) – but often involving self-discipline. Budgeting is the primary calculative technology of the self in the media examined. Others include strategic and entrepreneurial use of interest rates, 'paying yourself first' through automated savings and tackling high interest debts first in debt repayment.

The responsible borrower and its irresponsible counterpart are by no means the sole representations of debtors in these publications. Some authors are sympathetic to more structural factors of indebtedness, such as the difficulty of entering an overheated housing market, stagnating real wages, job loss and for young adults a generational disadvantage in entering the (full time and paid) job market. Some authors extend sympathy to the 'sandwich generation' – that is, those adult workers and borrowers whose financial stability (established through years of responsible personal financial management) is threatened by the unexpected need to help their adult children and aging and ailing parents (who have failed to manage their finances responsibly) (see for example Freida, 2014; McFarland, 2015). Other articles employ attention-grabbing titles that shame irresponsible borrowers but offer more nuanced content below the

byline. As such, the news media at large does manage to convey some of the diversity in the causes of indebtedness that emerged from the interviews. However the most vociferous message, and the most overtly disciplinary, is that of the irresponsible, over-consuming borrower. While the discursive media landscape as a whole displays reasonable diversity in depictions of debtors, articles directly conjuring the irresponsible borrower tend toward heavy-handed homogenization, bracketing out other possible causes of indebtedness altogether.

The news media also displays normative discourses calling up other familiar financial subjectivities, including the consumer subject, the investor subject and the worker-entrepreneur, that Langley (2008) deems contradictory and uncertain when performed simultaneously. Indeed the contradictions between them are clear when one considers personal finance themed articles as a body. Pressures to perform contradictory subjectivities simultaneously are clear in the plethora of articles offering personal finance advice to readers struggling to balance debt repayment with retirement and child education savings (often through investment), mortgages and regular expenses. Calculative technologies here are often complex though presented as simple and easy to implement, and include automated investment and bill payment transactions, investment portfolio diversification, strategic timing in real estate investment and strategic balancing of RRSP (Registered Retirement Savings Plan), TFSA (Tax Free Savings Account) and RESP (Registered Education Savings Plan) contributions with income splitting and spousal contributions for tax saving efficiency. These advice columns are complemented by seemingly endless articles vying for top say in whether households ought to prioritize debt repayment in the post-recession and current low interest rate environment, borrowing at low rates to invest, or diverting income to pad RRSPs while the cost of borrowing on other long term obligations such as mortgages are low. The details of such articles are often baffling and frequently showcase the

confusion or ‘misguidance’ of a household receiving the advice – evidence itself, perhaps, of the competing demands of performing multiple financial subjectivities.

Thus an assessment of the national print media provides significant insights in understanding portrayals of Canadian household indebtedness. Media representations of debtors are less homogeneous and shaming than expected, occasionally presenting the diverse causes and structural factors of indebtedness that appear in the resident interview data. However, Canadian households are clearly also exposed to disciplinary, or normative, discourses and messages invoking individual fault as a disproportionate cause of indebtedness. This most powerful representation of borrowers is homogenizing in that it paints debtors as thoughtless, compulsive and irrational over-spenders living beyond their means. It evokes its other, the performance of the responsible and entrepreneurial borrower subject who, as predicted by Langley (2008), stands in tension with the other financial subjectivities (consumer, investor, saver and worker-entrepreneur) whose performances are also called up through disciplinary discourses and appeals to calculative technologies of the self in the media. While Chapter 4 revealed that self-reported causes of debt are more complex than the irresponsible borrower of the media, the following section makes the tentative case that debtors *do* internalize both the disciplinary representations of irresponsible borrowers in the media and the struggle to perform multiple contradictory financial subjectivities observed in mainstream discourse.

5.3 Who’s to Blame? Contradictory Subjectivities in Metro Vancouver

Chapter 4 presented results from a set of qualitative interviews with indebted and previously indebted residents of Metro Vancouver neighbourhoods that evaluated the common causes of heavy debt. Most respondents’ debt was caused by short and long periods of unexpected income loss or expense rather than superfluous spending on luxury goods and housing or careless

disregard for saving, though some respondents' debts were indeed either caused or enhanced (as a form of coping with debt stress) by overspending on non-essentials. One question asked of all respondents and not addressed in Chapter 4 was, '*Household debt levels are rising across Canada, with record levels of debt now held nationally. In general, why do you think Canadians are going into so much debt these days?*' Responses varied, but an interesting pattern emerged.

While some respondents pointed to structural and (place-specific) economic factors such as stagnant real wage growth, insufficient minimum wages, an unavailability of decent employment, housing unaffordability and general rises in cost of living as major factors driving rising indebtedness, a segment of respondents pointed to consumer behaviour, such as overspending on non-essentials, living beyond means, an inability to distinguish between 'wants' and 'needs', and cultural phenomena including a 'culture of credit', the emergence of a 'buy now, pay later' mentality, 'entitlement' and a desire for 'instant gratification' in explaining the general rise in indebtedness among Canadian households. As one respondent proclaims:

...we're in a society right now that if we see something and we want it, we buy it. There's no waiting to get anything. Kids see a toy. They don't have to wait 'til Christmas or their birthday or anything. The parents usually just buy it for them. I think we're in an 'I want it, I bought it' kind of society...we don't want to do without (C5).

Another respondent echoes this sentiment, stating:

Everything is really expensive. And living beyond your means, I think of 'Keeping up with', you know, 'the Joneses' type of thing? So everybody just – and everybody just wants to have everything now. Nobody wants to wait and save up and purchase things. Everybody wants it NOW! (C21).

This brand of comments from respondents is distinctly similar to the aforementioned normative discourses found in the media. This suggests either that these irresponsible financial behaviours do occur more frequently than the empirical evidence from this study indicates, or that such

discourses are so powerful and so common that they are being absorbed, embodied and reproduced by Canadian borrowers themselves.

Notably, this explanation was offered not simply by those respondents who themselves identified as having accumulated high levels of debt primarily due to financial mismanagement and irresponsible spending, but also by those who did *not* identify with that position; that is, by those who had taken on debt during a period of unexpected expense or interrupted income.

Consider several examples. One male respondent explains that the cause of his household's debt incursion was his wife's job loss when her workplace unexpectedly closed, stating:

Where she worked, Sprint, they actually closed down the call centre. So she managed to get out as soon as they gave the notice that they were closing down, she didn't wait... And she ended up getting a better job but to begin with it was only a part time job. So her hours could go from 20 up to 40 hours a week dependent on how much they needed her...they did give her a full time position...but by then the damage was kind of already done and it was hard to pull back from that (C2).

While savings may have helped to cushion the blow of this unexpected income loss, the cause of this family's indebtedness can hardly be attributed to reckless over-spending. However, when asked why he thinks that Canadians in general are taking on record levels of debt presently, this respondent reproduces the disciplinary, blaming narratives that are observable in the news media.

He explains:

I think nowadays a lot of people go into debt because they want everything now...Now people want it all straight away. They want a house, they don't only want the house, they want it all to be perfect and it's an unrealistic expectation I think and it is what causes a lot of the debt...There's that sense of entitlement, where people think they've got the right to a perfect life. Well, you've got to work to get the perfect life (C2).

Though not his family's experience he accuses others of borrowing for undeserved comforts in place of hard work. Another respondent offers a similar interpretation of high household debt levels. She explains her family's introduction to indebtedness:

What happened was my husband...cut off his thumb at work. Worker's Compensation does not pay very much. At that time our son and our daughter were still living at home, they were both in high school. And thank God I had the credit cards. I didn't mean to rack them up but I did... We had to live. We had to feed our children... And yes, I got into financial difficulty... Okay. I was on disability. Well, you know what? You don't get very much disability. Okay...So let's say we were living on 1400 dollars. It wasn't very much for a family of four...It was really tough (C24).

Despite having gone into debt to feed her family during a period when she and her husband were both medically unable to work, this respondent explains the general indebtedness of Canadians as begotten of the individual failures of living beyond means and a lack of discipline for deferred gratification. She elaborates:

Do you want to know why that is?...They want to live like the Joneses, and they want to live higher than what they are able to. And their next door neighbour has it so they want it also. They can't afford it! But they want it. And that's really, really sad... 'Oh, well geeze, did you see what the Joneses have? We've got to get that'. Well, you know what? You don't need to get what the Joneses have... Nowadays it's the – it's not the parents more than their children that have these credit cards. The children have the credit cards, and the mom and dad sign for it. What are you doing that for? You're not teaching your children anything. As a parent, I brought up my children different[ly]. We went through this as a family. I guess not everybody deals with this situation like we did. We're very fortunate, I would say (C24).

What are we to make of this pattern of disjuncture between experience and explanation? Note that this respondent is almost defensively explicit in voicing her belief that her own family is exceptional in their more 'responsible' and disciplined approach to financial management. This self-exceptionalism suggests a desire to distance oneself, out of pride perhaps, from the

normative discourses observed in the mainstream media. Consider again the experience of the above respondent:

I never ever put groceries on credit before. That was – I think that was the hardest thing for me to do was go buy the food, and I didn't have the money so I would put it on the credit card. Oh, that hurt. But we all needed to eat... My husband didn't have too much savings, but what we did have we had gone through. We had gone through it. And then we thought, 'Oh my stars, what do we do next?'. Then it was the credit cards. And then it was, 'Oyoyoy, look at how much we're in debt' (C24).

These testimonies further suggest that this compulsion for distance from normative discourses is reinforced by a sense of having avoided the easy-but-irresponsible path of sustained indebtedness but with great effort and sacrifice. That is, these respondents exhibit a strong aversion to identification with the irresponsible borrower – a subject position that they have avoided through the noble but challenging employment of financial self-discipline. The latter respondent demonstrates the stress of breaking from the performance of the responsible borrower, with which she has (with concerted effort) long identified. This suggests an experience of distress associated with juggling the performance of competing subjectivities with limited resources.

A third respondent's beliefs about the causes of 'other' households' indebtedness are also somewhat disjointed from her own experiences. Part of her household's debt stemmed from her difficulty in re-entering the work force after giving birth to her first child. She notes that her spouse's rigid work schedule, factoring in their inability to afford childcare, made it very difficult for her to work:

Going back at first was very tough because my husband has mandatory days so he literally cannot miss them. So I would have had a lot more shifts had I not had to work around him. I would literally have four hours, only closing shifts, and it just wasn't very— Like, open availability is going to give you a lot more than closed, right? And so that was really stressful (C3).

She offers a more nuanced explanation for the increasing incidence of high indebtedness, exhibiting her own perceptions and experiences of the difficulties that arise in attempting to perform multiple competing financial subjectivities with limited resources. She notes the marketing pressures to consume credit, stating, “*I feel like everywhere it's always, 'get your new credit card; get this' and it's always about getting money that you don't have*” (C3), but also the pressures to continue consuming necessities and other goods even as prices rise and wages stagnate. She observes:

Well if you look at how the world has developed even over the last twenty years you can see how much more congested [things have become], how much [sic] more stores [there are and], food, and prices are going up. So things that maybe cost 20 dollars ten years ago are now like 60 dollars, you know? And people are still buying it. That's the thing. They're not making as much money. Like, our minimum wage is \$10.25. It's not that much money, you know? So, it's true. The rich are getting richer and the poor are getting poorer [laughs] (C3).

However, her overriding impression of the causes of increasing household indebtedness ultimately rests on individual fault, again repeating the normative discourses seen in the media that do not necessarily reflect her own experience. She declares:

I think everyone these days are consumers. There's always the next best thing. You know, there's always something that people want. And now everything's so readily available with credit cards...People are spending money they don't have. And they're not really being held accountable for it. You know? (C3).

She holds individual debtors accountable for continuing to purchase goods that are now more expensive and possibly unnecessary. She continues with the same thought, but now demonstrates conflicted feelings regarding where any blame should lie:

Honestly I think it would be a combination of people not being smarter with themselves and not taking accountability. You know, blaming every little thing. Like, 'maybe I shouldn't have increased my limit'. You know? ...You can't blame everyone for your decisions and your mistakes. But also I think that – maybe not the government per se, but just people in power are just not doing

enough to help them. Because they [lenders][a]re making money off people in debt. So, you know, it's just, it's a vicious cycle. They want to make money by getting people in debt. And people in debt will just keep spending money because they want the next best thing (C3).

This comment suggests a conflict between the respondent's own experiences and perceptions and the overt messages she has been exposed to *via* the media and other sources. That her ultimate conclusion is that the blame lies with debtors who are not being held accountable for their 'irresponsible' actions speaks to the power of normative discourses and their appeals to a seemingly irrefutable, 'common sense' logic.

Such conflicts, and the difficulties in simultaneously performing numerous 'rational' and 'responsible' subjectivities with limited resources, particularly among debtors with low-income (a characteristic shared by all three respondents quoted here) are a likely significant source of the frustration, despair, stress and emotional turmoil documented in Chapter 4 that characterises the everyday lived experience of indebtedness. Following the empirical evidence presented in Chapter 4 it appears that, particularly for low-income households, it could be – at least in part – the frustration of the daily lived experiences, calculations and negotiations of attempting to perform the responsible consumer, worker, borrower and saver/investor subjectivities at once that leads to the emotionally loaded moments of escapism through 'irresponsible' spending. Of course, this tentative connection is primarily applicable to those who specifically claimed to use credit for non-essentials as a momentary relief from depression and stress, and should not be overstated. The study's interviews did also reveal, particularly amongst inexperienced (young and recent immigrant) households, instances of thoughtless or ill-informed overspending that led to indebtedness. There is, nevertheless, evidence to suggest that normative media discourses are absorbed to some degree by Canadian borrowers.

5.4 Financial Literacy and the Reproduction of Discourse

The Credit Counseling Society (CCS), within its counseling and administrative functions, places great emphasis on financial literacy initiatives in tackling household debt. One of the key services that CCS provides is an on-going series of webinars (online seminars) that are open to the public and available through their website (titles include “Raising Financially Fit Kids” and “Budgeting 101: 6 Easy Steps to Manage Your Money”). The agency engages in advocacy work surrounding financial literacy and requires clients’ participation in at least two webinars/seminars on debt and financial management when undertaking Debt Management Programs (DMP).

It is certainly notable and impressive that the great majority of the resident respondents offered high praise for their experiences with the Credit Counseling Society and its services. Most of this praise centered on the respondents’ appreciation for the advocacy and support roles played by the staff at CCS. However some respondents did explicitly state their appreciation for the financial literacy oriented services provided by the organization, including help with budgeting and cutting out extra expenses, saving first and buying later, identifying ‘needs’ *versus* ‘wants’ and tips for ways to save money through the use of coupons and self-restraint. And indeed there is nothing inherently wrong or harmful in understanding the ways in which the credit industry operates (in order to guard against its risks) or in approaching personal finances thoughtfully and efficiently. It is clear from the experiences of CCS’ clients that such knowledge and services can be greatly beneficial for individuals.

When examined closely, however, and with potential collective effects in mind, the personal finance strategies espoused by CCS are problematic. In fact, financial literacy is necessarily predicated on the calculative technologies of the self-disciplined borrower and

consumer that serve to reproduce such neoliberal financial subjectivities. Furthermore, it is not clear that this is a passive reproduction on the part of CCS and its credit counselors. An analysis of the data collected through the open-ended ‘expert’ interviews conducted with several CCS credit counselors for this study reveals that CCS employees are directly (if unconsciously) complicit in the calling up of competing financial subjectivities through their reproduction of the normative discourses that necessarily accompany calculative technologies of the self – the propagation of which constitutes financial literacy initiatives.

Consider the empirical evidence from the expert interviews. One way in which the credit counselors at CCS reproduce normative discourses, reinforce the performance of contradictory subjectivities and effectively discipline their clients is through their general reluctance to concede that structural factors or a lack of resources are significant causes of indebtedness. While they generally recognize that such factors exist, they often dismiss them in favour of an over-arching financial illiteracy explanation. For example one counselor states that:

...a large amount of people are here [for help] because, yeah life circumstances have forced them...But that's always, usually, accompanied with having been able to make better choices and be more prepared and having more education about finances... You have... a big chunk of clients where stuff happened, but probably if they were better prepared with their finances and had better education around that they wouldn't be talking to me or talking to us today.” (C2).

For this counsellor, unexpected life events would be less devastating for households if debtors were more knowledgeable about financial management. Another counsellor demonstrates a still more nuanced understanding of the complex interplay between multiple factors that cause indebtedness. He allows that unexpected life events are a common contributor to indebtedness, but simplifies by distinguishing between two broad groups of people: those who mishandle money due to a sense of entitlement to purchase anything they desire based on the assumption

that they can afford the same lifestyle as they were provided by their parents; and those who lack resources and mishandle funds because they simply were not taught the proper management of money and credit or failed to build savings to draw on in emergencies. Illustrating the former category, he states:

...there's a lot of people that grew up where mom and dad gave them – or had everything and gave them lots growing up – and then that stopped but the spending didn't. And the income wasn't matching what the parents were making so there's just a lot of people that are – have entitlement. Right? And that could be travel, that could be material goods. You've seen all the BMWs on the road. They're leased. Right? But they're leased at 600 dollars a month. People need a house, not a condo or rent. Right? I want this yesterday (E4).

However in both cases, the ultimate cause of indebtedness is again cast as individual fault born of a lack of knowledge and awareness regarding the proper management of finances. A consistent pattern emerges surrounding lending practices. Several counsellors admit (or very nearly admit) that lending institutions and their employees frequently take advantage of unknowing borrowers, but again ultimately rest on financial literacy – and the (re)production of the responsible borrower (not a responsible lender) – as the ideal intervention. It is difficult to explain these discrepancies (of explanation *versus* interpretation), however it is likely that the powerful 'common sense' messaging of appeals to financial literacy is involved.

Again, a major component of the reproduction of financial subjectivities such as the responsible borrower is achieved at CCS through the disciplinary employment of calculative technologies of the self. In debt management, the calculative technology that reigns supreme is the rational and 'scientifically objective' tool of the household budget. The same counsellor exhibits this reverence of the budget as he explains that all necessary expenses, including regular savings in anticipation of emergencies, can be accommodated if one has the discipline to maintain a balanced budget:

...if you have a budget going, you're living life and you're putting savings away... This is about living your life but you know in the back of your head that you're protected... There's something's gonna happen, for the love of Pete, save up for it! Budget for it every month. 'Oh no! That's going to stop you from going to Hawaii this year?'. Too bad! ...But, if you have savings and you're learning to live with what's feasible, affordable...guess what? Suddenly you've got a big chunk of money that you've saved up.... And again, it all comes down to the entitlement too (E4).

Here, as with the most disciplinary representations of debtors in the print news media, those who fall into debt are conceptualized as entitled and irresponsible, borrowing for luxuries such as trips to Hawaii. With some pressing, this respondent does concede that budgeting will be more difficult for those with lower income but asserts that unmanageable debt can be avoided through hard work and the maintenance of a balanced budget:

But at the end of the day a budget's always gonna be – you can always find a way, as a rule, to live within your budget. And that can mean you have to rent with five people. Right? And if you don't like that and if you have the means and ability to, then you start working your butt off and working yourself up that ladder like you see in all those fancy-dancy movies, right? And you work yourself to where you want to be... (E4).

The insistence that all financial difficulties can be solved through the infallibility of a well-calculated budget appears quite reasonable on the surface. However, dogmatic appeals to the healing powers of budgeting (bestowed by arithmetic) tend to over-simplify the often increasing and changing demands on household resources and underestimate the rapidity with which savings can deplete and debt can accrue in times of instability (during protracted job loss or illness, for example, as demonstrated in Chapter 4). These narratives say nothing of the deflationary tendencies of savings that are not invested and present as straightforward the sacrifices necessary to accommodate truncated or limited resources in a budget. Perhaps most problematic in these narratives is the propensity (stronger among certain interviewees than others) to frame the challenges faced by those with lower-incomes as being simply, if not easily,

surmountable through hard work and sacrifice. This perspective reinforces neoliberal notions of ‘meritocracy’ (Bourdieu & Passeron, 1977) that place authority with the self-interested individual that achieves liberty and security through hard work and rational entrepreneurialism. This serves to delegitimize the state provision of a social safety net and dismisses low-income or otherwise more vulnerable citizens – those required to make the most painful sacrifices such as, “*rent[ing] with five people*” (E4) or worse – as less deserving than those with more stability. All of this is in addition to the risks of supporting an environment in which, often predatory, *for-profit* credit counseling organizations may continue to exist.

It is important to note that this discussion is certainly not intended to discount the opinions and observations of the CCS credit counselors, who have come into contact with a great many debtors and are highly knowledgeable about household indebtedness. Indeed there is no doubt that the employees at CCS do encounter many clients that have made poor financial decisions. It is also very clear that these professionals have the best intentions and make great efforts to work in the best interests of their clients. As one counselor states:

I'm a bit of an idealist so I'd say it would be really nice if we didn't have to exist and I'd find a living elsewhere. But, right now people need us, because there really isn't anyone else who...will be able to objectively present a clients' options to them...We have our own options here but we really strive very hard ethically to present them in a very fair, open manner” (E2).

Despite the reluctance, documented above, to emphasize the structural or more circumstantial factors in their clients debt histories, the interviewed credit counselors and CCS as an organization take a position of non-judgment that is crucial to the successful advocacy of the debtors with whom they work. In a sense it is partially this position of non-judgment that results in the agency’s staunch belief in the virtues of individual-level solutions to heavy indebtedness. As one expert interviewee states:

They could earn hundreds of thousands of dollars but they're still in the same situation as someone who owes ten thousand. It's a money management [issue] – I didn't come out of school...having a lesson about 'how do I deal with money ... I just end up in a bank where they're pushing, 'have a credit card! There you go!' So that real understanding of what it is hasn't been there. So, you know, all the time that it's not in the school system, we need to be there to be able to educate and say, 'it's okay!' You know, we didn't learn it. We've had to learn it as we go along and we've made mistakes... (E3).

This non-shaming stance still manages, indirectly, to place primary blame for debt stress on individual actions and decisions, necessitating an individual point of intervention in the form of financial literacy initiatives.

Beyond the reasons already suggested, such a position is problematic in that it precludes the possibility of larger scale change (structural or institutional change, change *via* economic policy, enhanced collective welfare provisions or regulatory changes in the credit industry). Instead, financial literacy initiatives place the onus for change on the individual borrower or, increasingly, their parents in the disciplinary calling up of the responsible borrower subject. A credit counsellor demonstrates the position:

Well, we've hit the 'me' generation, haven't we? So these parents are raising kids that are completely useless financially. And the school system's not doing a thing to change that. And that's the big issue. And there's the entitlement, right? So, you see all the young kids, again, drive around in their BMWs and what have you, and they just don't care. And so absolutely, it's going to be a very, very, very scary next 10, 15, 20 years (E4).

While reference is sometimes made in discussions of financial education of the need for lending institutions and school systems to play their part in the quest for financial literacy, these appeals are generally dismissed or overridden as being too complex, unfeasible or simply unrealistic to actually carry out. Another counsellor demonstrates:

So the education, parenting, the general public, and then at the institution level, I think that the financial institutions have to change their approach towards how they grant credit. And education around there. But the issue is that they make a

ton of money off that and I don't see enough initiative (E2).

Ultimately these difficulties mean that financial literacy approaches, well intentioned –and individually effective – though they may be, typically will only have the capacity for individual level action, disciplining and change. Financial literacy initiatives may be valuable for young borrowers and immigrant newcomers to Canada’s culture of credit. However, the tunnel vision focus on literacy initiatives then allows governments ‘off the hook’ for taking more meaningful action in addressing the structural causes of indebtedness and effecting regulatory, institutional or economic change as they single-mindedly engage in educational endeavours.

A final negative consequence of the prioritization of financial education in preventing high levels of indebtedness is its perpetuation of an exploitative system of credit provision through the reproduction of the ‘responsible’ (and revolving) borrower subjects that constitute the market for credit and profit-making. This is entwined with the implicit assumption underlying literacy initiatives that debt has a ‘good’, ‘healthy’ or ‘fixable’ form. Financial literacy and even credit counselling itself ensure the continued profitability of lending institutions in part by ensuring (or endeavouring to ensure) that debts *will* be repaid. Even if, as in a DMP, some or all interest payments are waived, profitability is maintained through the reinsertion of debtors into the credit markets and in a ‘responsible’ iteration at that. (Those in the industry often frame credit counselling as a better alternative to bankruptcy because borrowers are made to repay more of their debts and thus are more likely to ‘learn their lesson’). Another mechanism through which borrowers are reproduced is the emphasis by credit counsellors on the rehabilitation of a debtor’s credit rating (an important technology of the self in keeping borrowers borrowing and lenders profitable) upon completion of a DMP, again suggesting that

debt can and should be (responsibly) drawn on again in the future (and validating the discriminatory practice of credit rating systems themselves).

This chapter has engaged with discourses of indebtedness in the Canadian national news print media and within the non-profit credit counselling industry (through the example of the Credit Counseling Society) to develop an enhanced understanding of the causes of indebtedness and the borrowing practices of Metro Vancouver households that have experienced extreme debt stress. While both the media and credit counsellors do recognize, to some degree, the diverse structural *and* individual causes of debt that emerged from the study's empirical findings, both also perpetuate (through stereotypical representations of irresponsible over-spenders and staunch adherence to financial literacy narratives, respectively) homogenizing portraits of indebtedness that serve to discipline individuals and 'correct' borrowing behaviours through the propagation of a 'one-size-fits-all' strategy of debt stress prevention. Financial literacy solutions, though often well intentioned and individually beneficial, assume a homogenized population of debtors who have had the same experiences, followed the same trajectories and require the same interventions, and leave those who do not fit this description (often the most vulnerable households) unaided.

I have drawn on Langley's (2008) arguments regarding the disciplinary and discursive calling up of multiple competing financial subjectivities in neoliberal and financialized contexts to engage in a closer analysis of the challenges faced and actions taken by borrowers in their everyday lives. I have argued that the disciplinary discourses in the media and credit counseling industry that emphasize individual fault as the primary cause of deep indebtedness are at least partially absorbed and reproduced by debtors. Emphases on financial education serve to reproduce neoliberal representations of debt as normal, good and 'fixable'. The emotional

turmoil observed even in those borrowers that manage to *sustain* high levels of debt, while avoiding default or insolvency, suggest the need to question this understanding of debt as having a ‘good’ iteration and to shift the focus away from the moment of default as the primary indicator of problematic debt.

I do not wish to present debtors as passive victims or mindless receivers of disciplinary messages. Such messages are clearly rejected in whole or in part by those who express more structural causes of indebtedness and those who exhibit competing structural and individual level explanations for general indebtedness. Borrowers can also be understood as resisting normative discourses and technologies in those moments of escapism (evidenced in Chapter 4) when they throw caution to the wind and spend to feel better. However disciplinary narratives and appeals to financial literacy are powerful and have powerful consequences. Those suffering from a lack of resources based on unwanted unemployment, insufficient wages, unaffordable necessities and shelter or inadequate social security provisions are victims of those advocating for financial literacy programs that aim only to change individual behaviour. The following and final chapter provides an assessment of the combined results from the quantitative and qualitative work, assesses the study’s limitations, and concludes the thesis with summary remarks.

Chapter 6: Conclusion

Two dominant arguments characterize mainstream discussions of high and rising household debt levels: borrowers are either a group of homogenous individuals, overspending on luxuries they cannot afford to achieve a lifestyle that they do not deserve; or they are inept, financially illiterate households, unable to adhere to reasonable budgets, blindly accessing credit without a true understanding of its risks. It is difficult to measure the extent to which discourse operates on the saving, spending and borrowing actions of debtors. However, the analysis of interview data and media content presented in Chapter 3 suggests that households do – to some degree – internalize this messaging, subsequently projecting such impressions upon themselves or others in their socio-economic group, irrespective of whether media representations match their individual experiences. Regardless, these discourses are tinted with moralities reminiscent of sociologist Gans' (1971) thoughts on the functions of poverty. He suggests that:

...the poor perform a number of social functions... the poor can be identified and punished as alleged or real deviants in order to uphold the legitimacy of conventional norms. To justify the desirability of hard work, thrift, honesty, and monogamy, for example, the defenders of these norms must be able to find people who can be accused of being lazy, spendthrift, dishonest, and promiscuous. Although there is some evidence that the poor are about as moral and law-abiding as anyone else...they lack the political and cultural power to correct the stereotypes that other people hold of them and thus continue to be thought of as lazy, spendthrift, etc., by those who need living proof that moral deviance does not pay. (21).

Indeed, based on the media's representations of borrowers, it would appear that in the neoliberal 21st century, the indebted fill the rhetorical role previously imposed on the poor. However, the evidence presented in this thesis suggest that in fact Canadian borrowers consist of diverse households with many complex and nuanced stories behind their common debt stress. While it is clear that both financial illiteracy and un-thoughtful spending are components of Canadians' debt stress, it is far from certain that these are the primary or most prevalent drivers of indebtedness.

Painting all borrowers with the same brush may lead to a one-size-fits all approach to solving or preventing problematic debt stress, which could leave the most vulnerable unseen and unaided. Nevertheless, households in Canada and other Western nations have dramatically increased their usage of both mortgage and non-mortgage consumer debt since the 1990s. What has caused this shift toward greater credit consumption? The following sections summarize the study's key findings. The thesis concludes with a statement on the study limitations and directions for future research.

6.1 Summary of Key Findings

In terms of debt's spatial distribution, between 2007 and 2012 median consumer debt levels rose in Metro Vancouver's least indebted FSAs while falling slightly in FSAs with the highest debt levels. Debt-to-income ratios increased across all FSAs. A distinct geographic trend emerged from the analysis of household debt levels across Metro Vancouver. All FSAs exhibited higher total (mortgage and consumer) household debt than total income, with 60 per cent of FSAs having higher ratios than the 2012 national average of 160 per cent.⁶ However, for both mortgage and non-mortgage consumer debt, a clear cleavage is evident between outer suburban FSAs where debt burdens are highest and inner city FSAs closer to the City of Vancouver and its CBD, where debt burdens are generally much lower (though still high, particularly for mortgage debt). Gentrifying neighbourhoods in Downtown Vancouver also displayed persistently high debt-to-income levels over the study period.

⁶ It should be noted that previous research by Walks (2013a) finds that, based on 2009 data acquired from Environics Analytics (and again updated for 2012), nearly all census tracts in Metro Vancouver exhibit higher debt-to-income ratios than the national average. This discrepancy may be attributable to differing scales of aggregation (FSA vs. Census Tract). It may also suggest a possible *underestimation* in the data examined here. Unfortunately, data collection methods by credit rating agencies are non-transparent and difficult to evaluate for quality.

When considered alongside distributions of net worth and asset values, the spatial distribution of household debt across Metro Vancouver from 2007 to 2012 suggests that wealthier outer suburbs and older inner suburban FSAs have benefitted disproportionately from rising household debt. In 2012, of the FSAs that accumulated the most absolute debt and highest debt-to-income ratios from 2007 to 2012, it is the wealthiest suburbs and select older, central FSAs that display the lowest debt-to-asset ratios. Outer suburbs have in terms of net worth and asset values benefitted the least from their increases in debt and debt-to-income levels over the period. Broadly, high and rising net worth and asset values do, as suggested by certain commentators, temper our understanding of the risk levels associated with high and rising debt. However, in Metro Vancouver, the uneven spatial distribution of wealth increases (particularly against the more generalized spatial distribution of debt increases) suggest that this is not enough to mitigate the increasing vulnerability of heightened debt levels for many households. Debt- (and possibly speculative investment-) fueled increases to net worth may also serve to increase the already significant gap between the wealthiest Canadian households and the rest (Yalnizyan and Schrecker, 2010; Walks, 2013b). Sub-national analyses – sorely lacking in the Canadian context – are vital in uncovering this lower scale variation.

This thesis has also addressed the structural and proximate causes of high household indebtedness. Expert interviewees, the credit counselors at CCS who have encountered many debtors and witnessed a broad range of financial plights, while recognizing that debt experiences are diverse nevertheless principally favour a financial literacy explanation. They emphasize that borrowers could avoid debt stress if they were better equipped to understand the risks associated with credit use and the proper ways of using credit, to use financial management skills and disciplined budgeting techniques, and to live by the golden rules of living within one's means by

spending less than one earns. The counselors point to a lack of restraint in saving for large purchases and an unwillingness to save for emergencies and unexpected expenses as individual causes of debt stress.

Borrowers themselves offer more nuanced explanations for their own indebtedness than the experts' generalizations. They agree with the credit counselors that common immediate causes include unexpected and financially straining events such as employment instability, divorce, childbirth, medical emergencies or the need to financially support a parent or child. Borrowers, however, point to the rapidity with which savings can deplete and high interest debts can accrue, and the difficulty – particularly for younger, lower-income, underemployed, disabled and lone-parent households – of saving funds while surviving on low or unstable wages. They identify the easy availability (sought or not) of credit and strong marketing pressures (and associated temptations) to use credit products and accept limit increases as key precipitators of high debt stress. Credit counselors, while conscious of such factors, typically emphasize individual (mis)conduct over these. The interview data suggest that both sets of explanations are likely present. While the respondents' debt experiences are complex and multiple, two broad patterns emerged. Lower income borrowers, single-parent families, young borrowers, and recent immigrants tend to accumulate debt in relation to structural disadvantages (*e.g.*, underemployment, low wages and high costs of living), strong marketing of credit products, and interruptions to income. Higher income, professional households and, again, young and new immigrant borrowers tend to accumulate debt through poor spending choices and financial mismanagement.

The study results are clear in demonstrating that borrowers experience strong and negative emotional reactions to debt stress. Debtors frequently reported feelings of isolation, of

desperation and loss of hope, fear, and embarrassment, shame or guilt associated with their debt regardless of whether it accrued *via* the purchase of necessities or non-essentials. Debt becomes a source of stress even when households manage to make the required minimum payments. This stress is enhanced significantly by collections calls, from the inability to make timely payments but also from the immediate and tangible consequences of such failures. The majority of the respondents pointed to collections calls as being their greatest source of financial stress.

Households invoke a variety of (both more and less productive) coping strategies to deal with debt itself and its related emotional stress. If their social network is strong and resourceful, these include seeking help from friends and family – sometimes through personal loans, but more often for temporary shelter or childcare to reduce expenses. Downsizing accommodations, relocating to cheaper neighbourhoods, living with roommates, working multiple jobs and reducing driving and food expenses are other coping strategies. As a last resort and driven by feelings of desperation, borrowers also cope by accessing additional credit in the form of credit card debt and Payday loans, particularly when embarrassed to go to family or friends, and when their poor credit ratings limit access to mainstream credit. Further, the empirical evidence suggests a common pattern of (debt fueled) spending on non-essentials, cautiously interpreted here as a coping mechanism. Borrowers spend as a form of escapism from a dissatisfactory or difficult everyday life, from the stress of having insufficient financial resources, and even from indebtedness itself.

The interviews suggest a complex and strong social element of indebtedness frequently at play in the borrowers' emotional experiences. While respondents occasionally used leveraged conspicuous consumption to maintain social status, and more frequently pointed to this behaviour in *others*, borrowers most often overspent on group activities, such as restaurant meals

and vacations, to maintain social *inclusion*. Whereas some borrowers actively engaged in such spending just as many resisted or terminated these activities in the face of financial constraints. The spenders experienced feelings of guilt and shame, and both groups described feelings of embarrassment, alienation and social isolation, stemming both from concealing their financial problems from their social network and as a consequence of their withdrawal from much of social life out of frugality. Indeed it is clear that the social life of credit is an integral component of the lived experience of indebtedness.

6.2 Debt Across Scales

The forces influencing household debt operate across multiple scales. This study has highlighted the value of looking below national level trends, to the local, where national trends may be amplified, muted or stratified. Reviewed in Chapter 2, the critical literature examining the evolution of credit consumption presents processes of neoliberalization and financialization (through securitization) as the upstream factors contributing to unprecedented household indebtedness in Western nations through the late 20th and early 21st centuries. These, through greater volume and connectivity of global capital flows and increased opportunities for profit *via* financial sector investments have led to an immense increase in the availability of consumer credit since the 1980s. Neoliberal state programs implemented since the same period have, in turn, led to a context in many nations, of precarious employment and earnings opportunities and reduced social security measures to stabilize households in (increasingly frequent) periods of financial instability. Meanwhile, real wages in Canada have stagnated as prices for necessities such as housing and food have increased. Thus, an increased demand for credit (to maintain consumption) has coincided with a greater availability of consumer credit (influenced and motivated by the profits associated with credit securitization).

At the provincial level, housing market dynamics are important drivers of household debt patterns. In Canada, the inter-provincial distribution of debt levels consists of a clear cleavage between eastern and western Canada, with Alberta and British Columbia exhibiting the highest levels of household debt in Canada. This is driven in part by large and hot housing markets in Metro Vancouver, much of the rest of BC, and Calgary (joined by the Greater Toronto Area in the east), and a period of sustained economic growth in Alberta – now displaying the negative effects of falling oil prices.

In Metro Vancouver high housing prices, easy access to mortgage credit and sustained low interest rates have pushed households – especially those entering the market for the first time – to take on larger mortgages, which in turn has further inflated housing values and mortgages. As affordability has eroded in the housing market with many British Columbian families’ wages not keeping pace with inflation since the 1970s, individuals and families have been pushed further out of the central city to less expensive outer suburbs of Surrey, Coquitlam and other municipalities (Ivanova and Klein, 2015). However, as home prices continue to rise in the City of Vancouver, prices of these outer suburbs are pushed up as well (Gold, 2015). As employment opportunities remain concentrated in the city centre and the similarly expensive town centres of these suburbs, households face additional living expenses for commuting *via* transit or personal transportation. Added expenses may lead households to turn to credit to make ends meet. Indeed, the concentration of highly indebted families in the outer suburbs is clear in the quantitative analysis presented in Chapter 3.

A chorus of mainstream commentators (*e.g.*, Cross, 2015) have argued that high and rising household debt levels are nothing to worry about given accompanying rises in household net worth. However, even a basic examination at the sub-CMA level, offered in Chapter 3 for

2012 data only, demonstrates that while high-debt-to-income areas are relatively widespread across Metro Vancouver, the same is not true of low debt-to-net-worth levels (see footnote 6 on pp. 145). Some households, particularly those in the outer suburbs, are benefitting relatively less from recent wealth increases. Indeed, it seems that for these families, who have disproportionately higher debt-to-net-worth and debt-to-asset values, rising housing values are not enough to temper the financial precarity that comes with larger mortgages.

The interview data – concerned with the individual level experience of indebtedness – do not directly reflect these broad housing market-based trends. Instead, the interview data reveal the multiplicity and difference in the experiences, causes, consequences and benefits of debt use. They relate the consequences – often omitted from mainstream accounts – of elevated housing prices and an affordability crisis for Vancouver’s most vulnerable households – non-homeowners, often living with low income. In the 12 months leading to July 2015, 80 per cent of the growth in household debt nationally was due to increases in mortgage debt (Tal, 2015). There is a clear mismatch between incomes and housing prices (negatively affecting affordability) in Metro Vancouver, where mortgage debt plays a significant role in debt levels. However, few of the interview subjects recruited via CCS’ (past) client base were homeowners. This may simply be because CCS cannot help with secured debt repayments. However, it may also be a result of the more dire financial straits and relative lack of resources of non-homeowners, who do not have home equity upon which to draw in emergencies but are more dependent on higher interest credit sources to secure essentials when their expenses exceed their incomes.

6.3 Lessons, Limitations and Future Directions

The expert interviewees are joined by numerous mainstream commentators and now the Canadian federal government in emphasizing financial literacy initiatives as the primary, and

perhaps sole, strategy for tackling rising household indebtedness (Nelson, 2015). The empirical evidence suggests that such initiatives may indeed be easily implemented and valuable as a partial remedy to debt stress, particularly for young and newcomer borrowers who are particularly susceptible to lenders' marketing tactics, and those higher-income professionals that overspend as a means of escapism. However, given the multiplicity of debt origins and experiences present in this study, it is clear that literacy strategies can offer only a partial solution to Canadian indebtedness. Where emotionally driven spending or a lack of resources is behind heavy debt accumulation, knowledge of finances, budgeting, and even self-restraint can be of limited effect. This is clear in the number of financial professionals present in the study sample. Twenty-five per cent (6 of 24) of borrower respondents identified as having training and/or employment as either a banker or accountant, with one respondent proclaiming, "*I can make numbers sing*" (C22). The 2009 Canadian Financial Capability Survey supports this conclusion, with analysts noting, "*[t]hose who were more likely to correctly answer questions related to financial knowledge and had higher levels of self-assessed financial knowledge were also more likely to have higher levels of debt, even when other characteristics such as income, age and education were taken into account*" (Chawla and Uppal, 2012:3).

This thesis has to some degree produced conclusions that might have been predicted at the outset. Where debtors have drawn on new and high interest credit despite their already fragile finances, and as Canadian mortgage debt escalated significantly over the 2006 to 2008 period of relaxed CMHC insurance eligibility standards (Walks, 2014), there is a clear need for greater and consistent controls on lending standards, access to credit, interest rates and limit caps for revolving credit products like credit cards. As Payday loans and other predatory lending forms continue to lead the most vulnerable debtors into dangerous lending cycles, such credit sources

must be greatly regulated if not eradicated. However, the continual use of such short term, small loans by borrowers suggests that other, less predatory sources of fast and easily accessible, short term loans or bursaries ought to be pursued by non-governmental or governmental organizations, by community oriented financial institutions such as credit unions, or through some alternate means. More research is needed to weigh the strengths and weaknesses of alternatives.

The study has also revealed the dramatic and prevalent emotional consequences of living with a heavy debt burden. The respondents identified the most valued service offered by the Credit Counseling Society – second only to the waiving of interest fees and reduced debt payments – was the advocacy role of counselors. Borrowers found relief, morale and motivation in the non-judgmental guidance of the credit counselors and found hope in their sense that finally someone was ‘working on their side’. These results, and the other themes that emerged from the interview data, point to the deep entanglement of the ‘rational’ and financial aspects of borrowers’ daily lives with the emotional and social ebbs and flows of everyday life. The clearest finding is perhaps the crucial need for affordable and accessible mental health services to accompany any credit counseling, financial literacy or debt repayment programs and services, and for a concerted effort at reducing the negative stigma associated with limited or unhealthy household finances. It is this stigma that both enhances borrowers’ emotional and stress experiences of indebtedness and deters them from seeking help.

Interventions must aim beyond the individual-based services highlighted above, which may only ever constitute ‘band aid’ solutions to much larger problems of affordability and inequality. Though difficult, tackling the factors believed to enhance income inequality – by rehabilitating the social security system, enacting fair minimum wage legislation, and support for

collective bargaining – should be considered, while in Metro Vancouver addressing housing affordability is a clear goal and starting point (Florida and Mellander, 2013).

The study does have some limitations. Due to space and data constraints, the quantitative analysis focuses on comparisons of ‘snap shots’ in time for 2007, 2010 and 2012, and examines wealth data for 2012 only. A more recent and longitudinal examination would provide a better sense of the peaks and troughs of wealth and debt trends. Future research should also aim to employ statistical analysis to uncover the socio-economic variables that contribute to changes in debt levels, including sub-FSA level analyses. The interviews revealed important neighbourhood dimensions in borrowers’ financial lives that could not be discussed due to space constraints. Future research should examine the ways in which the presence of local businesses and services (or those in their spatial networks) (such as Payday lenders, credit counselors, financial institutions, church services, shelters and food banks) influence the spending and borrowing decisions made by debtors, their degree of indebtedness, and their self-help actions. More research can also examine the dynamics of distance and transportation, employment opportunities and affordability in credit consumption.

The sample of indebted residents – while providing valuable in-depth data representing a range of experiences, as intended – cannot be considered statistically representative of any population. It may also be biased toward clients that have been particularly satisfied with CCS’ services, as it was drawn from a pre-existing list of clients that had agreed to engage in press interviews. Further, the study sample intentionally emphasizes borrowers residing in Metro Vancouver’s outer suburban FSAs, where debt burdens were the greatest in 2007 and 2012. However, the inclusion of more respondents from wealthier, inner city and gentrifying FSAs may have yielded different results. Their relative exclusion is, however, also a product of the

geographic reach of CCS' clients. The study has also not accounted for the possible exclusion of certain sub-populations due to barriers to access or other factors limiting their engagement with CCS' services. It is also possible that the most vulnerable households do not tend to access credit counseling services.

The study's unintentional (though unavoidable) lack of non-English speaking respondents may be related to barriers to access. Simone's (2014) findings of a significant and consistent spatial association of immigrant neighbourhoods and high neighbourhood debt stress in Canada's three largest CMAs suggest that future research should seek in-depth interviews with these populations, regardless of language. Testimonies by this study's expert interviewees also suggest that the dynamics of debt accumulation vary across immigrant ethnic (or country of origin) groupings and that this is an important area for future research. Older households, despite the characterization of this group as particularly vulnerable by expert interviewees, are not well represented in the study sample. Due to space constraints, this study was also unable to address questions of gender in the experiences and dynamics of indebtedness, although the evidence has suggested that financial stress may lie disproportionately with female-identifying household heads. These limitations represent directions for future research.

Driven by global socio-political processes of economic globalization, neoliberalizing programs within and between states, and the financialization of economies and financial networks at multiple scales, borrowers are pushed to consume more credit to fill the role formerly occupied by the welfare state in protecting individual security. In turn it is clear that the actions of everyday borrowers – whether or not to save, how much to borrow and for what, whether to spend and on which commodities – while influenced by state-led monetary policy – themselves affect larger scale economies and flows. Vulnerability is enhanced and unevenly

distributed when monetary policy such as interest rate setting is used to control inflation and the economy. Household debt is now, possibly permanently, still far above pre-recession levels. With the inevitable rise of interest rates, some highly leveraged households will struggle to maintain their mortgage payments, with possibly severely destabilizing consequences for themselves and for local and national economies. Economic downturn, however, will likely have the greatest impact on the most vulnerable Canadians – those low-income, rarely homeownership households taking on debt, at great cost to their mental health, to survive.

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Appendices

Appendix A: Emotional Responses to Debt: Fear

“So in that moment - when I went for bankruptcy I was - I remember that day, I was shaking so bad inside out... That's all I could think. That moment - those moments were really scary.” (C1)

I was more scared than anything else. Alone, somewhat. The thing though is that I knew that I had put myself into that mess. So it wasn't like unexpected. I was just buying time and saying, like, hey I can put up with this for a few more years. But at the very end, I was like, you know what? I can't. There's no way. Not anymore. (C6)

“ I really did [feel scared]. We weren't sure what was going to happen with the debt. It's scary. I worked everyday. And concerned about her too, right? She wasn't happy. She was sad. And I was the one in charge of the finances. And I could screw it up, too.” (C7)

“I felt like everything was closing in around me, like I had no options. Scared that I was going to be living my life in constant debt....Forever.” (C9)

Because of course women, we tend to like safety and protection, and we thought, well, having the house – we thought we were established. And we weren't. And knowing that within two years we were in so much trouble. It was very scary for me. (C12)

Appendix B: Respondent References to ‘Keeping Up With the Joneses’

“Your average Canadian debt is great. At 30,000 dollars. Which isn't nothing nowadays... If you could use it towards making your monthly grocery bills, making your down payment on a home... To secure yourself real estate-wise, transportation-wise, and food-wise. The three basic essentials that people need to have money for. Failure to acknowledge that brings you debt. Right? You need the work to pay for these three things. But without ever getting a hand up you're never gonna own nothing... If you pay a person well, they'll work a day. If you don't pay a person well, their time's going to expire, their body will – But they'll die trying! That's the unfortunate part. So you have to say, 'Okay, but what about the roof over your head?... Are you happy? Do you have a home? Do you have a coat? Do you have an umbrella? Do you have these needs... These things are basic essentials but now it's driven the public into debt over, to try to keep up with their friends, the Joneses. Or to keep up with each other to try and say, 'Hey, we could have worked together here'. But you can't have one person that has parents... who say, 'Here, here's 25,000 dollars, get yourself started'. And then have them waste it. A lot of us haven't been granted that opportunity. So we're given 20 dollars. We're still told not to waste it. And believe me, we don't.” (C10)

R: “... he works full time, a good paying job; I work full time – it's still not enough. I mean, we live at my parents' place? It's still not enough. It is ridiculous how some of it has... been buying the stuff. It's always... – what's the word? Not so much ‘keeping up with the Joneses’, but just... Okay... me and my parents immigrated over here back in '89. And we were – it was always to show off what you had. Because that showed your prosperity. So even though everything looks good on the surface, you know, everything else is kind of like – like I said... Well, and we see friends and someone's like, 'Oh, look they bought a new car'. Like, 'No. They HAVE a new car; you don't know how much debt they're holding behind it'. And that's kind of what it was. It was the fact that you had all of these things to show off. But, nobody really knew how you were doing it, right? So... Seeing people with other things, yep.

I: “Like, that's what I should have, that's a normal thing to have?”

R: “Exactly. Yup. Exactly.” (C13)

“I think it's society. That you're expected to uphold a certain stature, kind of thing. And the kids! Like, you always want to give your kids more than what you have. It's the worst thing we could ever have done... But it's a lot of society. Pressures! To – what do you call that, when you have to be similar to everyone else? Status quo or whatever you call it... And that's what it is. I really do feel that it's that. And more and more every day. You know? And I feel kinda bad. Like, for my kids! Growing up in this society... I think just years of – keeping up with the Joneses! And it's more and more and more...” (C16)

“Everything is really expensive. And living beyond your means, I think of 'Keeping up with', you know, ‘the Joneses' type of thing? So... everybody just wants to have everything now. Nobody wants to wait and save up and purchase things. Everybody wants it NOW! SO I think that's probably why... lots of people want to have a new car, and like go lease or, you know, get it brand new and everybody thinks that's okay. But, I don't think that's okay... I don't know, why do you need to have a brand new car and have – I don't even know how much that costs, like

600-dollar payments or something. It's crazy. But lots of people think that's normal or okay.”
(C21)

“Because, you know what? They want to live like the Joneses, and they want to live higher than what they are able to. And their next-door neighbour has it so they want it also. They can't afford it! But they want it. And that's really, really sad. If you can't say to your neighbour, 'Oh, sorry! We're not able to do that at this present moment'. Well, fine, then that wasn't really your friend... Just because the Joneses have this, 'Oh, well geeze, did you see what the Joneses have? We've got to get that'. Well, you know what? You don't need to get what the Joneses have.” (C24)

Appendix C: Respondent Testimonials for the Credit Counseling Society

“The availability that they're there. The way the program was structured – they dealt with your creditors. That was great. That was a huge burden.” (C4)

“I think their approach and how they made people feel with it, like I said. That they don't make you feel like you've done something wrong. They work out a payment plan that's based on what you can afford. They don't expect you to give up absolutely everything. And they base it on what you can afford and they follow up... [Having] Somebody that understood what you were going through and was very supportive.” (C5)

“They understand where you're coming from... They were also there emotionally too... I didn't feel that they were judging you... I think the biggest one was the counselors themselves. They were not like people that worked in the bank or wherever who were getting a commission out of you or anything like that. They were truly what they are called. They're counselors. So they really just listened to you and sought out what you needed at that time. There was no judging at all and that's something that I really liked about the program itself.” (C6)

“Well, they were very caring. They understand. They had seen the same situation before, with debt, so they know. So they were very understanding and. Yeah. The best for us was that they took us off the debt.” (C7)

“It was nice that they would renegotiate the payment terms with my creditors... Yeah, the renegotiating the payment terms would be the big one. And the moral support. Knowing that someone actually cared. Knowing that I had somebody on my side. That was also tremendous... Yeah, knowing that I wasn't alone. Was the biggest one.” (C8)

“It was a pretty big relief. Especially since they were able to limit most of the interest. I still repaid the full amount of debt, but we were able to get rid of almost all of the interest – or very small on some of the lesser known cards... It was quite a big relief to see, okay, now I'm not paying interest on it, now at least what I'm paying is going towards the prime.” (C9)

“And it felt a lot better [laughs]... Oh yeah. That first meeting that, that first ten minutes. Just to know that there was an option. Right? So... There was relief. The fact that I had options. That I knew that I could fix this. If I really tried. If I really focused on it. There was hope that I can make better choices in the long run.” (C13)

“They're great. They make you feel like you're in the right place, you're doing the right thing. No guilt, no shame. I mean, they've seen it all, I'm sure. So they're not expecting a big song and dance... You're not paying any more interest, you just owe what you owe right then and there. They stop the clock. And then every single payment goes towards the principal...” (C14)

“She was so understanding! Both of them... She was great... And I recommend them to people all the time. Because I was genuinely – they made me feel really – at ease. I guess is the word I

want to use. And comfortable. Almost like a good hug. You know what I mean? Like, just, everything's going to be okay... You know, you don't realize, really, how much stress you're in until you can get it off your chest. And someone that understands. And can give you feedback! And it's good feedback!" (C16)

"It was a relief. Yeah. Because there was a guy – you know, just a regular guy. I kind of figured it would be, you know, like suited people. And they would just be like 'WHY did you do this?!'. I actually was expecting to get kind of scolded from someone like my dad [chuckles]. And – but they totally understood." (C17)

"Well, I guess, other than knowing that they were there and able to help was sort of invaluable. But I guess in terms of the practical side of it, I guess, in terms of them being able to pull together the program for me and have me pay sort of what was an affordable amount each month while paying back the creditors – So I guess it was invaluable to find out that they were there and they could help." (C18)

"Well, it was actually kind of relieving. They were actually really good. And they gave me a bit of hope. It felt like a fresh start, I suppose. And yeah, they gave me a little bit of direction, so I felt like I knew more where I was going... Yeah, and not be judged. Right? Because a lot of times it's like... you feel like you're looked down on, right? And they were actually really supportive – they were really good. I was impressed." (C19)

"What I found was the girl in the office was just so extremely helpful and she gave us hope. And I think that's what we needed... She gave us an indication that this is doable. It can be done. And I that was the ultimate thing... I had gotten to the point where we were going there thinking maybe we'd have no choice, we'd have to declare bankruptcy... I just thought it was invaluable what they did for us." (C22)