

Debt footprint

"Debt is not just a financial issue: it is a moral issue when we are talking about meeting debt obligations at the expense of people's survival." **Jubilee Debt Campaign, Zambia.**

So what is a debt footprint?

Put simply, this is the environmental, economic and social impacts resulting from debts that individuals, communities and even whole nations acquire. Linked to this are the impacts of [credit](#); spending money that has been borrowed rather than earned.

Debt: Shoes too big for our feet

The world is facing a global economic crisis. This is affecting individuals, families, communities and whole nations in both the rich and poor countries of the world. Debt and [credit](#) are central to this economic crisis.

In recent years banks and other lending agencies have loaned vast amounts of money to consumers, particularly in the US and the UK. The result is that many consumers have been living beyond their means – spending money that they have borrowed, rather than money that is really their own. Our shoes have become too big for our feet.

Suddenly however, banks and other lending agencies discovered they were losing money and so tightened up on the credit they were providing. This meant that suddenly money was no longer available to borrow as it had been before and consumers found themselves with huge debts that had to be repaid. The term 'credit crunch' has been used to describe this sudden severe shortage of money or credit. The start of the 'credit crunch' occurred in August 2007.

Most economists believe that the economic crisis is leading to a [recession](#) or even an economic [depression](#). However, it could be argued that the so-called recession we are experiencing is actually a return to normality: what we are being forced to do is to live within our means, to spend real money rather than money that is borrowed or provided as [credit](#).

Debt: trampling on people and trashing the planet

Debt creates a large footprint in all corners of the world, affecting people and the environment everywhere, but the specific impacts that debt has depends on where you live.

In the west the impacts of debt can certainly be painful; it may cause you to lose your job or your home. But in poor countries debt, quite literally, kills.

For many years some of the poorest countries of the world have been trapped in debt. Some countries which suffered under brutal regimes are now made to repay loans that the rich world gave them to prop up these dictators. Some have repaid more than they originally borrowed, but are caught repaying huge sums of [interest](#). The impacts have been that countries already struggling to keep their people fed, educated and healthy, have been forced to spend their limited funds on

Debt footprint: how it measures up

- For every £1 that poor countries receive in aid, they pay out more than £2 in debt service.
- In 2004, Malawi had to pay nearly £6 per person servicing debt, but only £3 per person on health despite an average life expectancy of just 37 and with one in seven adults HIV positive.
- Some home buyers in the UK borrow up to 90% of the value of their property.
- There are about 55 million credit cards in use in the UK, with total debt on them in the region of £740 billion.
- On average a student in the UK can expect to finish University with over £12,000 of debt.
- The richest 10% of the world's population consume 60% of its resources; the poorest 10% consume just half a percent (0.5%).
- The combined income of the 41 most [Heavily Indebted Poor Countries](#) (567 million people) is less than the wealth of the world's 7 richest people

repaying their debts to rich countries rather than providing essential services for their own people. [Some Heavily Indebted Poor Countries \(HIPC\)](#) have had their debts partially cancelled but often under unfair conditions (see box).

Did you know? Many poor countries are still paying more in debts than they spend on health, education and other essential services.

Ten years ago, debt cancellation for the poorest countries of the world was something that governments refused to even consider. However, public pressure and the highly successful global **Jubilee Debt Campaign (Jubilee 2000)** turned the idea of debt cancellation into reality. As a result of debt cancellation there are thousands of new teachers and schools in Malawi, Tanzania and elsewhere; a free childhood immunisation programme in Mozambique and an HIV/AIDS programmes in Benin, to name but a few benefits.

However, still only 20% of the debts have been cancelled. And the problem isn't just money – it's also about power. In return for having their debts cancelled, governments in poor countries are often forced to introduce policies that hurt their own people while continuing to benefit rich foreign companies. Countries are asked to cut public spending on health, adopt unfair trade rules or privatise basic services such as water supplies for example.

So, the debt problem has not gone away. The Jubilee Debt Campaign, a coalition of over 200 charities, unions, churches, and local and national campaign groups in the UK, continues to campaign for an end to the scandal of unfair and unpayable poor country debt. You can find out how you can get involved by visiting the [Jubilee Debt Campaign](#) website. For example you could encourage your school to become a [Jubilee School](#).

There are important downsides to debt in the rich countries of the world too. The high availability of credit in recent years has enabled people to spend beyond their means. This has resulted in huge levels of consumption which depletes valuable resources quicker. It also uses up more energy which in turn generates higher carbon emissions, the main cause of climate change and global warming. So credit and debt creates a large environmental footprint.

Debt can also seriously damage our health according to recent research. The more in debt you are, the higher your chances of developing anxiety and depression say psychiatrists. They also say that working to earn money simply to keep up with debt repayments creates great stress.

Debt and human rights

When governments of [Heavily Indebted Poor Countries \(HIPC\)](#) spend more on debt repayments than they do on health and education combined, it is clear that debt denies the world's poorest people some of the most basic human rights.

Similarly, many of the rights enshrined under the Convention on the Rights of the Child are threatened or denied by debt, including the right to life itself (Article 6). All articles that relate to the provision of basic or essential services to children are threatened in countries that face high levels of debt. Article 24 for example, highlights the right to good quality health care, clean water and nutritious food while Article 27 refers to the right to a standard of living that is good enough to meet physical and mental needs and Articles 28 and 29 relate to the right to an education. All of these rights are likely to be denied if governments have to pay off debts rather than invest in their country's children.

For further information on the Convention on the Rights of the Child [click here](#)

Millennium Development Goals

The eight Millennium Development Goals (MDGs) were agreed at the United Nations Millennium Summit in September 2000 and nearly 190 countries have signed up to them. The goals are international targets for reducing global poverty. They aim to lift around 500 million people out of poverty by the year 2015. If this happens, fewer women will die in childbirth, fewer people will die from treatable diseases, many more boys and girls will go to school and the lives of millions of people will improve dramatically.

Goal 8 specifically mentions debt. One of the targets within Goal 8 (Develop a global partnership for development) is to reduce the debts for the most [Heavily Indebted Poor Countries \(HIPC\)](#). Indeed, the former Secretary General of the United Nations, Kofi Annan, said that without debt relief for the world's poorest countries, the MDGs objective of halving world poverty by 2015 will remain a pipe dream.

Debt cancellation is therefore a vital tool to achieving the MDGs. Simply pouring more and more development aid into the poorest [HIPC](#) without cancelling their debts is like trying to fill a bathtub with the plug removed. For every £1 received in aid, [HIPC](#) pay back £2.30 in debt repayments. This is why debt campaigners say that in order to achieve the targets on reducing poverty in these countries, the debts they owe must be completely written off. And there is evidence that debt cancellation works. For example, spending on poverty relief in countries that have received their debts reduced or removed has risen by about 75 percent; Zambia has used debt relief to employ an additional 4,500 new teachers and abolish fees for rural healthcare.

For more information on the Millennium Development Goals [click here](#)

Stepping away from debt and credit

The international financial system is not working for people or the planet. It is trampling on communities in the poorest countries, holding back economic and social development, while allowing damaging over consumption in the richer countries. Despite some progress over the last 10 years, the debt problems of the poorest countries remain unresolved; debt reduction and cancellation has failed to catch up with what is needed in these countries. The current economic turmoil in the world shows our current economic system is unjust, unsustainable and doesn't even make us happy (see Did you know? box).

A fairer and more sustainable global economic system would mean cancelling all outstanding debts owed by the poor countries to the rich and moving on from the obsession Western governments and societies have with economic growth, consumerism and materialism. What is needed is a system that values people; their relationships to one another and the communities and environments they live in.

Did you know? Personal happiness has little to do with the amount of money we have, the amount we spend or how much we consume?

According to research by the [New Economics Foundation \(nef\)](#), the amount of money we have only has about a 10 per cent effect on our overall level of happiness. The greatest influence on how happy we are is our personality and upbringing (50%), with the remaining 40% influenced by factors such as our relationships, friendships, jobs, our involvement in our community, and being involved in sport and hobbies. Obviously if our basic needs aren't met, such as food and shelter, we are likely to be unhappy. But after our basic needs are met, extra wealth has little or no effect on our happiness, according to *nef*.

If this is true it presents challenges as to how we should live our lives and shape our society. In particular it questions the priority we place on earning money, spending and consuming. Some of the recommendations made by **nef** to reshape our society away from **consumerism** – and so reducing our footprint – include:

- investment in childcare and support for parents of children under three years old
- banning advertising to children because it creates a ‘culture of **materialism**’,
- teaching more sports, arts and creative activities in school rather than focusing so much on testing and exams
- reducing the amount of time we spend working/earning money so freeing up time to spend socialising with family and friends
- placing heavy taxes on products that damage the environment

What do you think of these ideas?

What would you add to this list to help create a society where people and planet are considered more important than money and consumption?

Putting your foot down:

There are two ways in which you can help reduce the impact of debt. The first is to campaign for the unjust debts still hanging over the poorest countries to be cancelled. You could become personally involved in the [Jubilee Debt Campaign](#) or encourage your school to become a [Jubilee School](#). This will enable your school to become more informed and active in the fight to save lives and restore hope for the millions of people affected by the debt crisis.

The other way is to challenge our economic system and its obsession with credit and debt related consumption. You can do this at school and in your local community as well as by challenging local and national politicians over policies that encourage a culture of debt, **consumerism** and **materialism**.

The New Economics Foundation have carried out extensive research and developed a lot of policies which challenge our current economic model. They have identified several ways of improving the quality life which do not involve buying into debt and consumerism. Ideas include keeping physically fit and active, learning a new skill or developing an old one, regularly connecting with people in community groups and with friends and family, actively taking notice of the world around you and giving to others – your time and help.

Case studies

[Bangladesh](#) – current page on the GF website

Learn more

➔ For more information about the debt footprint download our Global Footprints leaflet click here (link to pdf download)

➔ Links:

[Jubilee Debt Campaign: It's a question of debt](#) – A useful summary of the debt crisis, the background and history, impacts and what you can do, all presented in an easy to understand format. Click on the PDF download on the right hand side.

[Jubilee Schools](#) – details of what is involved in becoming a Jubilee School.

Jubilee Scotland – campaigns for cancellation of unpayable debts and the website has a useful [education section](#) plus some informative [fact sheets and quizzes](#)

[New Economics Foundation](#) – a highly respected organisation that aims to challenge conventional thinking on economic, environmental and social issues.

Glossary

Consumerism: the belief that personal happiness can be achieved through purchasing of material possessions and consumption.

Credit: money or resources borrowed or loaned from individuals, groups, banks, governments etc that must be repaid, usually with some form of [interest](#), sometime in the future. The provider of money or resources is known as a creditor or lender, while the borrower is often called a debtor.

Depression (Economic): similar to a [recession](#), but the decline in economic activity tends to be more serious and last longer, usually several years.

Heavily Indebted Poor Countries (HIPC): A group of developing countries with high levels of poverty and where the level of debt is so great that they cannot ever be expected to repay it. These countries are entitled to special help in coping with their debts from various international bodies such as the World Bank and from the governments of richer nations.

Interest: A fee charged to a borrower for using money or resources that they have loaned; for money this is usually a percentage of the amount borrowed.

Materialism: a fixation on material possessions and wealth with little interest in ethical or spiritual matters.

Recession: A period of lower economic activity during which time several things may occur such as fewer people in work (more unemployment), lower production, less sales and consumption of goods and reduced profits by businesses.