THE METAMORPHOSIS OF MICRO-CREDIT DEBTOR

Farooque Chowdhury

Micro-credit, the well-propagated mantra in the fight against poverty, is now expanding crossing the national boundaries as capital has done for centuries. Countries in the centre and in the periphery in the present world system are near-spellbound by this mantra. The actors include kings, queens, statesmen, bankers, charity foundation initiators, economists, development workers and the poor. Only the last one is at the receiving end. The rest are ever–ready and ever–eager to hand over the bounty of micro credit to "out -maneuver" poverty. The poor, all among the actors, as debtor, is the principal character without whom the act will turn meaningless and moneyless, to be appropriate, profitless. As debtor the poor makes the capital engaged in the micro-credit business move and adds momentum in the metamorphosis of the money engaged in the micro-credit venture. Without the poor the capital engaged in the micro-credit would not have been able to revolve, to increase manifold and consequently all interest in the venture would have gone lost. The debtor, embodiment of commodity, with the stored–in labour power itself goes through a process of metamorphosis that is never discussed in the mainstream literature.

The metamorphosis of the micro-credit debtor exposes the acts the capital plays in the act of micro-credit and makes all its pious pronouncements hollow. The metamorphosis takes not only to the debtor, but also to other members of the debtor–household.

The process that pushes paupers from the villages to the manufacturing units as wage slave has long ago been discussed in the political economy. But a few decades ago none imagined that finance capital and a few organizations in a number of developed countries extending support to the finance capital will turn "smarter", that it will get engaged at household level, at artisan level, adopt individual based mode of operation to produce surplus value and appropriate it, even appropriate a portion of it before it is produced, before a commodity, other than the embodied labour power, is produced. The "magic" of advance–appropriating a portion of surplus value before it is produced is embedded in the mode of handing over the credit money to the debtor. A certain amount of money is kept by the creditor as first instalment of repayment of the loan while the credit money is handed over to the debtor. The first instalment like all the rest instalments includes the insurance premium, the operating costs, the interest, etc. and it should not be forgotten that the interest is nothing but a fraction of surplus value either produced by the debtor and, in most of the cases, also by other members of the debtor–household or a portion of the surplus value produced by others in the broader society.

The debtor of the micro-credit turns owner of the tools or raw materials necessary for producing commodity as the debtor returns home from market after purchasing these with the credit money. But with the joy of ownership a poor debtor enjoys through this metamorphosis there comes a new burden, the burden an industrial proletariat does not have to bear: the burden and responsibility of maintaining, repairing and replacing the tools, equipments or parts of these and the costs that accompany it as the debtor is going to produce and going to be a producer of commodities. It is an extra burden. Usually the job is done not only by the debtor, but also by the other members of the debtor-household. That means time, necessary or surplus labour, depending upon a situation. The proud ownership carries another intricate calculation. An industry owner provides premise, shed, light, water, storage facilities, transport, etc. for producing a commodity and before hiring a wage slave the owner has to spend money for these ranging from construction, power and water connections, supervision, etc. which are calculated before the surplus value is appropriated. But in case of the micro-credit debtor turned independent owner of tools of production all these burdens fall upon the debtor. It is the responsibility of the debtor turned owner to repair / replace / heal and to spend money for these. That means the debtor has to arrange the constant capital, and sometimes, the variable capital. The creditor does not always provide the money required for these purposes or the debtor has to set aside a portion of the credit money for these purposes. If the debtor sets aside a portion then the person has to extend extra time to the portion of labour that produces surplus. More-over, the debtor turned owner has to construct / raise a shed for carrying on the production activity and spend money and labour power belonging to the debtor and the debtor's household members. Actually, the debtor, in most of the times, uses own premise, rent for which is paid by the owner of the production unit, the debtor. By whom the maintenance and repair of these is paid? It is paid by the debtor, now turned an independent producer. An industrialist has to pay rent for the compound / premise / shed / light / sanitary facilities / water; water used both for production, storage and for consumption of the workers while they are within the production unit premise producing commodity. But in case of the micro-credit all these are the debtor's responsibility. The metamorphosis of the debtor to owner of tools, etc., to independent producer thus does nothing but increasing the surplus labour time and squeezeing necessary labour time so that the repayment of the loan can be made as per schedule.

The debtor turned producer has to plan, search and work out comparative advantage, and procure and transport required raw materials for the commodity to be produced. The debtor, now acting as procurement manager of the household - based production unit, procures and carries or transports the raw materials for the commodity to be produced. Sometimes it is the spouse or sibling who performs the task, unpaid and unaccounted labour power put into the process. How the equation appears? Is it in favour of the fellow who went to the banker for the poor to realize the fundamental right the banker propagates? Reality, the shortened necessary labour time and the lengthened surplus labour time, obviously provide the answer. What about the level of appropriation? It is, certainly, not at the level Marx "calculated". It is super-appropriation, never imagined by the mine owners of Rome, the colonial plunderers, the plantation owners, the slave owners in pre-slavery abolished America, the multi-nationals operating in the countries in the periphery, not even the plundering–lumpen capitalists in a number of underdeveloped countries, but only by the multi-national micro-credit capital. So, Michael Lipton and John Toye said in "Does Aid Work in India?" : Rates of return on credit projects are particularly high in India; and Joe Remenyi said in "Where Credit is Due: Income Generating Programmes for the Poor in Developing Countries": Credit -based income generating projects (CIGP) may be the most profitable way in which society can invest... Diminishing return has not set in this field...; ...banking on and with the poor is a very good thing to do.... The typical successful CIGP ...required an investment well below $1,000 per sustained wage–paying position created (one-tenth of the ratio in the formal sector)... [W]hen one is living at the margin of survival earning around $1 a day, an increase in earning capacity of 50 cents a day represents a substantial improvement in cashflow. These statements tell the truth.

The metamorphosis of the debtor moves further as the fellow turns wage labourer. The micro-credit finds a new commodity as, borrowing from Engels, the "source of new value," source of surplus "income" with which the debtor will repay and "this commodity is labour–power". The labour power is stored up in the bodies of the micro-credit debtor and other members of the debtor–household who extend respective labour power to extend the surplus labour time so that the repayment could be made on schedule. As an independent producer the debtor has to fix the pace of production and that determines the debtor turned wage labourer's pace and length of working hour. Even, the debtor wage labourer has to borrow labour power of others in the household, who are actually paid only by bare subsistence. To make the statement complete it is not the debtor only, but other members in the debt ridden household, along with the debtor, also, turn wage labourer, at least, part time. Does not it appear more intense than the conveyor belt or the Taylor system innovated by the industrialists to increase surplus value? Thus, the entire household turns to a household of wage labourers, full time or part time. Actually, the pace of work is determined by the time schedule of the repayment. Within the scheduled time for repayment the independent producer turned wage labourer, along with the co-workers in the household have to produce and sell that quantity or that number of commodity that can bring in at least the amount of money needed to repay the instalment of the debt. If seasonal variations, changes in market, health problems, other unseen troubles, non-availability of raw materials or transport, in short, major and minor forces, i.e. "acts of god and acts of reality", coordination with the marketing day and the instalment day are taken into account then the pace of production of a debtor turned independent producer turned wage labourer can be imagined. The person has to forget 8-hour working day, rest, amusement and attending to family chores. It is only to produce surplus enough for repayment. Does it sound like the sweating system? Does an industrialist having a supervisor or a foreman appear fool? While an industrialist has to devise a mechanism, a supervisory system and keep a physical appearance in the work place the micro-credit capital does not require all these. Its mere regimentation, mere providing credit at the doorsteps of the poor and its higher level of "consideration" or attention regarding collection of part of the credit from the debtor's home so that the poor fellow does not turn a defaulter that determine the pace of production. This is the condition of the micro-credit wage labourer, obviously a bit different from an industrial wage labourer. An industrialist "purchases the use of one week's labour of [a] worker" if the worker is paid on weekly basis, but the micro-creditor purchases the labour of the debtor for an entire year, if, assumed that the loan will be repaid within a year, or for the entire period until the loan is repaid. With the payment for necessary labour time, a specific amount of money paid for subsistence of a worker and members of the worker's family, an industrialist "ensures the continuance of labour-power even after his [the worker's] death", but the micro-creditor ensures the simultaneous use of labour–power of the household members of the debtor along with that of the debtor. The labour, through persistent struggles, has won, in relative terms, a number of measures to safeguard his own body and soul and the capital has to compromise for its own sake. But the micro-credit debtor turned wage worker toils without coverage of any such measure. The micro-credit capital that finances micro-production units at household level is smart enough to escape, till today, the struggle of the debtor turned wage worker, bypasses all rules, even norms attained so far, and stays safe. There is no working hour; no weekly holiday; no law, rule, regulation governing working time, working condition, safety measures, child labour, female working hour, etc.; no inspectorate looking at the working condition. This makes life miserable for the micro-credit debtor turned wage worker and for the members of the household including the minors who help create surplus value without any legal coverage.

Now, only a few numbers quoted from Microfinance Statistics (vol.17, Dec, 2004), a publication of the Credit and Development Forum (CDF). These will help comprehend, at least partially, the width and length of the micro-credit net and the surplus value it appropriates in a single country. There in Bangladesh, in 2004, the number of active members in the 721 micro-financing organizations (MFO), reporting to the CDF, was 16,622,047 and in 2000, it was 11,021,663Jn 585 MFOs. In 2004 the number of cumulative borrowers from 721 MFOs was 16,244,242 in a country of 140 million. It was 7,409,773 from 585 MFOs in 2000. There are many other MFOs that have not reported to the CDF, many others are operating in different guises and many other programmes and projects operating not as MFOs but carrying on micro-credit business. From how many souls do a group of industrialists in a poor country appropriate surplus value? Are those always more than the number just cited? There are answers, obviously, to this question. It is expected that a reader will search the answers.

The metamorphosis of the micro-credit debtor continues further as the person moves to market with the commodity produced. The debtor then turns to an independent trader competing with peer debtors turned independent traders in the market place and at the same time they together fall prey to the vagaries of market governed by the mighty market forces. While carrying the commodity to the market, sometimes, some other member of the household, shares the load. This labour is unpaid in terms of wage. If counted or paid, the amount comes from the surplus value already generated. If it is unpaid then the amount thus saved stays within the surplus value to be paid to the creditor waiting for the next instalment of repayment. As an independent trader the debtor turned independent producer turned wage worker has to bear all the responsibilities of a trader. But an industrial labourer does not have to take all these responsibilities. The wage slave in a factory just completes respective job and gets compelled to be appropriated of the surplus labour time. Market, supply, demand, transportation of commodity to market, storage, taxes and tolls, speculation, price, etc. are not part of a factory worker's business. But as an independent trader the micro-credit debtor has to bear these extra burdens which are not the creditor's concern at all. The creditor has tactfully, through the modus operandi, has put it upon the poor debtor's weak shoulder. There are commodities in the market place that are produced in larger, mechanized production units, with higher productivity, which means a cheaper commodity, and, commodities that enjoy facilities created by the WTO. This situation puts the debtor into an unfavourable, uneven playing field, cuts down the debtor's competitive edge and presses down price of the commodity produced in the household by semi-skilled and unskilled workers and produced with artisan method and tools. There is the packaging, marketing and advertising factor. The person has to reconcile with the situation and that means further tightening of belt. The micro-credit thus pushes the debtor to such a situation with extra burdens while demands regular repayment of the credit money.

The data on the sectors / sub - sectors micro-credit utilized in Bangladesh show the sources of surplus value appropriated and who "offered" the surplus labour to generate the surplus value. In 2004, according to the data published in the above mentioned CDF publication, of the 379 MFOs reporting to the CDF, 27.94 percent of cumulative disbursement was in the agricultural sector that included crops, livestock and fisheries sub-sectors while only petty trading sub-sector covered 40.61 percent. The percentage of food processing and cottage industries was 6.28 and of transport it was 2.20. In the years 2003, 2002, 2001 and 2000 the petty trading dominated. From where the trading, whatever its size is, pulls profit? A portion of it is surplus value generated by others in other places. What about the transport, the rickshaw van or the boat, and the cow fattening? The same answer. It is also the surplus value generated by and in different segments of the broader society that is appropriated by micro-credit capital that gets in through the debtor's hand. Other sectors / sub -sectors also provide similar explanation found in political economy. The above mentioned CDF publication provides a few more startling facts: "utilization of loan by sector / sub-sector (% of cumulative disbursement)" in "social sectors" in 2004 was 1.70 (health (he):0.44, education (ed): 0.06 and housing (ho): 1.20); in 2003 it was 1.58 (he: 0.45, ed:0.04 and ho: 1.09); in 2002 it was 1.41 (he:0.39, ed:0.05 and ho:0.97); in 2001 it was 1.76 (he:0.42, ed:0.11 and ho: 1.23); and in 2000 it was 1.69 (he:0.37, ed:0.02 and ho: 1.3). The "social sector" meant by the cited publication was health, education and housing which are actually required for ensuring the debtor's and the debtor household's survival, keeping the body and soul of the household based producers or of the trader or of the transport operator together, ensuring that production or trading could be carried on or transport could be operated so that surplus value generation or taking share of surplus value generated by some other is ensured, so that the repayment that includes surplus value is ensured. If a debtor does not have a house or a shed the production unit will be inoperative or will face problems in the production activities; the raw materials, the tools, the fuel, the cow or goat or poultry, the commodity produced could not be stored in; the producer and others in the household joining in the production activities could not survive. So, the housing sub -sector was emphasized most while lending out money in the CDF defined "social sectors". Of course, the facade was benevolence by the micro creditor. Then came the health sub - sector. The same arguments also. A judicious choice of the appropriated Material interest tops the list than human consideration. The extent of concern for health of debtor and debtor household is directly related and tied to the extent of concern of continuance of production, etc. activities. It was followed by the education sub -sector. The level of production and the level of transaction determine the extent of education required and the level of emphasis put into the education sub - sector. None can override this rule. The micro-creditor, also, faithfully follows this one and the life of debtor goes through this metamorphosis.

Thus, the circuit of metamorphosis of micro-credit debtor moves on and ultimately it completes a full path: a poor, an appropriated person (AP) turns debtor (D), the D turns owner of tools of production, etc. (OTP), the OTP turns household based independent producer (IP), the IP turns wage worker (WW), the WW turns independent trader (IT), the IT stays entrapped into debt with worsened condition and bigger debt turning oneself to debt slave. In its circuit the micro-credit debtor only produces surplus value or takes a portion of surplus value produced by some other debtor or some other person or persons in the society producing surplus value and transfers a portion of it to micro-credit capital. The circuit is both, a closed and an open, signifying the contradiction. The closed circuit keeps the debtor in perpetual and worsening poverty; sometimes, borrowing from the micro-credit literature, graduating a percentage of the borrowers, but pushing down or entrapping others in increased number; and often, throwing back the graduated debtor to the den of poverty again; and in these cases, the mainstream economics finds the rationale in "shocks", "setbacks", etc., natural and social, as their terminology defines. But whatever happens in the lives of a certain percentage of the debtor that does not change the basic structure of the circuit in the broader social matrix, in the process of appropriation of surplus value. Ignoring the macro scenario and putting forth the micro, a few individual cases, putting forth the exceptions instead of the general rule does nothing but vulgarizes the arguments itself pushed forward by the mainstream. The open circuit intensifies and accelerates the pauperization process and thus creating pressure on the system that creates poverty, makes a person poor, and appropriates surplus value. The vulgar economics with “hollow eye and wrinkled brow” (Shakespeare, Merchant of Venice) extending support to micro-credit capital may construct a facade by resorting, again, to vulgar arguments. It may argue that a certain percent of micro-credit debtors have improved their living condition with the aid of the panacea as a few days ago they used to mean the micro-credit. But this does not nullify the fact of appropriation of surplus value from others in the broader society. Rather, it puts the evidence that surplus value has been appropriated from some other persons. There are many economists in the bandwagon of micro-credit who cite cases of increased consumption by the micro-credit debtors. But it should not be missed that consumptions are of two types: productive and individual; while the first one is to create products the other is turned into means of subsistence. So, data of debtors’ increased consumption, claims regularly made by the mainstream economics, carry no meaning other than better and ensured supply of surplus labour power which is expropriated. The fact should not be missed that the entire system rests on the appropriation of surplus value and micro-credit is a part and, now is an institution of the system. It is sustained by the system and it helps sustain the system.

The socialization of micro-credit, with its profit profile, allures other capitals in banks and financing companies to join in. The capital engaged in micro-credit ties, quoting from Shakespeare, the “poor man’s cottages [to] princes palaces,” organizes and regulates debtors including members of the debtor-households, keeps them entrapped in the micro-credit web, appropriates surplus labour power of them and others in the broader society. Moreover, it now regulates, based on its global power, the analysis process of a section of economists who overlook the process of appropriation of surplus value upon which the micro-credit thrives, try to ignore definitions of political economy and propagate vulgar ideas. Ooo