Introduction

Debt forgiveness is back in fashion and may be about to become ‘all the rage’. After the 2008–09 financial crisis, a few analysts toyed with the idea of a debt ‘jubilee’ to relieve the increasing burden of borrowing. There were indeed a handful of prominent defaults and debt restructurings but, in the main, record and still-growing debt levels continued to be serviced, helped by historically low interest rates.

Now, however, the coronavirus-induced recession and policy response have seen the total global debt stock jump sharply, by $24 trillion (tn) in 2020 to $281 tn. Six million UK households are estimated to have gone into arrears in 2020 Q2 alone. Unsurprisingly, the increasing indebtedness of low-income and younger households have rekindled calls for system-wide debt relief, particularly for debts incurred through virus-related economic shutdowns. Recent proposals include forgiving a proportion of US student debt and of UK household debt; reviving debt relief for Highly Indebted Poor Countries (HIPCs); expediting company debt write-offs; and even cancelling the government bonds bought by the European Central Bank in response to the virus-induced crisis.

Advocates of debt cancellation often appeal to the ‘jubilee year’ concept of Old Testament (OT) law (Leviticus 25:8–55), although the seven-year cycle of debt cancellation (Deuteronomy 15:1–18) is more directly relevant. The concepts of jubilee and debt forgiveness are frequently referenced in the New Testament (NT) as pictures of the gospel – the coming of God’s kingdom and forgiveness of his people’s debt of sin through Christ’s death on the cross. Is this spiritual application the only appropriate lesson to be drawn from these OT concepts or do they have relevance to today’s debt burdens and financial systems? To put it bluntly, should we have a debt ‘jubilee’ now, given the post-virus depression?

To address that question, this paper will briefly survey the biblical material on debt and its cancellation in wider society, we need to keep to the forefront the relational dimension of debt.

Summary

The concept of a societal cancellation of debt has an ancient heritage that includes the seven-year cycle of debt elimination found in biblical law. Given the virus-induced economic slump of 2020–21, the idea of substantive debt relief is being revived as a way to alleviate financial burdens on stressed households, companies and governments. The benefits of these proposals need to be weighed against the costs and injustices of changing the ‘rules of the financial game’ retrospectively. But without a principled stance against the bondage of debt finance itself, such relief would only act as a temporary fix. The true lesson from Deuteronomy is that debt should remain short-term, with a ‘clean slate’ within everyone’s grasp, thereby embodying gospel hope within the financial system.
forgiveness, place this in the context of historical debt cancellations, outline the arguments for and against the proposals currently in circulation, and draw implications for policymakers.

**Biblical teaching on debt and its cancellation**

As set forth elsewhere,⁶ the locus of biblical teaching for wider society is the OT law, and the key to understanding the law is that of its embodiment of loving, just and merciful relationships.⁷ Jesus radically reaffirms and extends the law for his disciples to follow under the new covenant, while the wisdom embodied in the OT law serves as a guide for the restraint of wrongdoing in the wider world (Matthew 5:16–20; 1 Timothy 1:9). Hence, as we apply the Bible’s teaching on debt and its cancellation in wider society, we need to keep to the forefront the relational dimension of debt, with the good that is being sought and the oppression being restrained.

With this in mind, we can note that a loan is inherently relational, with the terms being expressions of the relationship between lender and borrower, with impacts on other relationships within society. Hence, the OT law encourages interest-free lending, especially to the poor, as an expression of care, while elsewhere those who lend interest-free are declared blessed.⁸ Conversely, there is a clear moral obligation to repay to keep the promise entailed when incurring a loan.⁹

The role of harsh loan terms and long-term indebtedness has often been central to the immiseration of the poor across societies and history.

OT law strongly required the keeping of oaths and vows because God fulfils all that he promises¹⁰ and those made in his image should do so too. Hence, it is ‘the wicked [who] borrow and do not repay’ (Psalm 37:21). In relational terms, default is worse than theft in that it deprives the lender of the return of their property while breaking the borrower’s promise. To mitigate the risk of default, security could be taken¹² which could even include the future labour of the borrower or a relative taken into bonded servitude.¹³ The strength of the obligation to repay means that indebtedness is akin to servitude whether in default or not. Hence: ‘The rich rule over the poor, and the borrower is slave to the lender’ (Proverbs 22:7).

The equivalence of indebtedness to slavery or servitude is highlighted in English usage – having given my ‘bond’ (in the debt agreement), I am in ‘bondage’.

This strong emphasis on the obligation to repay is then contrasted with the requirement for the lender not just to forgo interest on loans to fellow citizens¹⁴ but also to cancel the loan principal and release debt security every seven years. The key passage is Deuteronomy 15, notably:

> At the end of every seven years you must cancel debts.¹⁵ This is how it is to be done: every creditor shall cancel any loan they have made to a fellow Israelite. They shall not require payment from anyone among their own people, because the Lord’s time for cancelling debts has been proclaimed (Deuteronomy 15:1–2).

This is reinforced with the requirement also to release debt servants every seven years.¹⁶ The jubilee year fell after seven sabbath years of debt cancellation had been observed (Leviticus 25:8,9). This entailed the return of, and to, familial lands that had been leased out to the jubilee year (v.10, 13–17, 23) and the release of Israelite servants (v.39–42,54). Although there is no biblical record of the jubilee year being observed, the importance of widespread ownership of land in the hands of the original families is stressed¹⁷ and the jubilee came to symbolise (as ‘the year of the Lord’s favour’) the epitome of God’s desire for his people to be redeemed and released from bondage (Isaiah 61:2). Jesus declared that the jubilee year had arrived in his person and mission (Luke 4:21).

There are several aspects of the biblical institution of debt cancellation that are relevant for contemporary application.

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8. Exod. 22:25; Lev. 25:35; 36; Deut. 15:7–11; Ps. 15:5; 37:26; 112:5.


10. Num. 30:1–2; Deut. 23:21–23. The righteous keep their word despite the cost: Ps. 15:4, Eccles. 5:4.


13. Lev. 25:39, 46; for subsequent examples and references see 2 Kgs 4:1; Isa. 50:1; Neh. 5:5; Matt. 18:25.


15. The Hebrew text refers to ‘release’ every seven years rather than explicitly to debt cancellation, leaving some commentators to conclude that it is the release of the loan security for a year that is in view, rather than write-off of the loan principal (see Christopher J. H. Wright, *Deuteronomy*, New International Biblical Commentary, (Hendrickson, 1996)). However, this possible translation is belied by the clear release of debt slaves, subsequent OT applications, Jewish tradition and the use of the concept in Jesus’ teaching.

16. Exod. 21:2–4; Deut. 15:12–18.

17. 1 Kgs 21; Isa. 5:8.
First, on a prosaic level, debt cancellation was not part of the jubilee – it occurred every seven years, not every 50, with the jubilee’s focus being on the release of land from entailment and return to its original owners. The label of debt ‘jubilee’ for debt cancellation is therefore something of a misnomer used for marketing effect, including in this paper.

Second, debt cancellation was on a regular, preannounced schedule of ‘sabbath’ years whereby both parties knew that the loan could not be enforced beyond the next year for cancelling debts. Indeed, the text even anticipates the disincentivising effect that this would have on lenders (Deuteronomy 15:9,10) and urges them to lend anyway. The maximum debt maturity would have been seven years.

Third, the requirement for debt cancellation does not apply to loans to non-fellow citizens (15:3), thereby paralleling the exception to the ban on taking interest (23:20) and underlining the relational proximity required for the legislation to apply within OT Israel. Application outside the boundaries of the church to society raises questions of relational wisdom within a secular society.

Fourth, the text establishes a strong link between lending freely, the cancellation of loans and the promise of the elimination of poverty within Israelite society (15:4). The role of harsh loan terms and long-term indebtedness has often been central to the immiseration of the poor across societies and history, with the concentration of land ownership facilitated by foreclosure by lenders.

Fifth, the principal application of the concept of debt cancellation in the NT is to the otherwise unrepayable debt we all have before God for our wilful rebellion against him. This was cancelled for God’s people through Christ’s death on the cross:

And you, who were dead in your trespasses,…God made alive together with him, having forgiven us all our trespasses, by cancelling the record of debt that stood against us with its legal demands. This he set aside, nailing it to the cross (Colossians 2:13, 14; ESV). See also Luke 7:36–50.

As a result of our forgiveness, we are to forgive the wrongs (cancel the debts) others do to us (Matthew 6:12; 18:23–35). In personal financial terms, Christians should only lend when necessary to help others escape debt and support for debt-counselling ministries (such as Christians Against Poverty). When borrowing, Christians should be aware of the strong obligation before God to repay and the loss of financial freedom that debt entails. Interest-bearing debt should only be incurred when necessary and alternatives are not available – repayment should be expedited to regain financial freedom.

With regard to the OT text, the consequences of the year of debt cancellation and prohibition of interest would have been several. Lending would have been concentrated on interest-free loans for poverty relief of family or community members, or short-term secured loans with the lender’s use of the pledge providing some return in kind. Loans would likely have become harder to get as the year of cancellation approached. Unlike today, debts could not readily circulate as a durable medium of exchange (money) as the underlying claim would evaporate every seven years. Those forced to borrow or sell themselves into debt servitude would be free from obligation every seven years, with debts and debt servitude not passing intergenerationally. The poor could not be burdened indefinitely by debt, and greater economic parity and social mobility would be enhanced. Financial capital would be channelled into rental, leasing or equity/profit-share contracts that were not subject to write-off.

Overview of debt cancellations in history
The historical context of the OT law on debt cancellation and subsequent analogues will help to shape our approach to its contemporary application. Given the radical nature of these laws, OT commentators used to spiritualise the institutions of debt release and jubilee and saw little current relevance. Economic chaos was assumed to have been the result if attempted. However, it has recently been realised that, far from being unprecedented, Deuteronomic debt cancellation was instituted against a contemporary backdrop where such events were familiar, if not commonplace. Sumerian, Babylonian and Assyrian rulers periodically declared the cancellation of all agrarian (‘barley’) debts, the release of debt slaves and the return of mortgaged agricultural land for roughly the two millennia from 2500 BC. These cancellations were not pre-announced but were instituted at the discretion of a new king after their accession, the building of a temple...

18 Commentators see a direct allusion to this promise when the early church is described as being without those in need (Acts 4:34).
20 The Money Charity (https://themoneycharity.org.uk/) provides money education services to mitigate indebtedness.
22 Michael Hudson, , and forgive them their debts: Lending, Foreclosure and Redemption From Bronze Age Finance to the Jubilee Year (Dresden: ISLET-Verlag, 2018).
or a war. While much of the debt cancelled was tax arrears owed to the central governing authority (and therefore self-imposed), edicts could also apply to private debts for grain, although generally not to mercantile debts for money.

The motives of such rulers (including Hammurabi (reigning c.1792–1750 BC) in Babylon) were both political and economic. The power base of a new ruler amongst the wider populace was cemented by periodic debt cancellation, while their ability to call on the general populace for military service, public works and taxes was less encumbered by wealthy creditors forcing smallholders into crippling debt or debt servitude. Debt cancellation acted as a safety valve, to limit the ability of the landed class to immiserate the wider workforce and take for themselves agrarian surpluses that would otherwise be used to consolidate the king’s power or be consumed.

By clearing the slate of agrarian debts that had built up during the crop year, these royal proclamations preserved a land-tenured citizenry free from bondage. The effect was to restore balance and sustain economic growth by preventing widespread insolvency.

An additional feature and benefit of such laws were restrictions upon the ability of creditors to seize outright in perpetuity the land of defaulting farmers. In practice, the original occupiers regained the use of their land when a debt cancellation was announced.

Indeed, debt cancellations were subsequently proclaimed in some of the Greek city-states due to the popular uprising of debtors against their creditors (see box), the early Roman republic, the later Roman empire under the Emperors Hadrian and Marcus Aurelius, and the Byzantine Empire. It was after the last eventually forsook such debt remissions that its working population became choked by creditor aristocracies, leading ultimately to the Empire’s vulnerability and downfall.

These preceding and subsequent debt cancellations put the Mosaic code in a very different light. Rather than being

Debt cancellation in Athens under Solon (594 BC)

In sixth-century BC, Athenian society was dominated by an aristocratic class, the eupatridae, who held a monopoly of land ownership. Tenant farmers were obliged to pay rents with produce, money, labour or military service. When unable to pay, they were driven into debt, reduced to serfdom, or sold into slavery. As these peasants of rural Attica fell increasingly into debt, social unrest grew as the population demanded that the nobility’s privileges be set aside. In 594 BC, Solon was elected archon (‘premier’) in Athens to quell the unrest.

In response, Solon instituted seisachtheia, or ‘the shaking off of burdens’. This entailed the cancellation of all outstanding debts and the prohibition of loans secured on one’s person. Additionally, alien land-ownership was banned to prevent foreign creditors from foreclosing on Athenians. Through seisachtheia, social upheaval was avoided and Solon laid the groundwork of Athenian democracy by freeing debt serfs and ending debt bondage.

However, to the disappointment of the peasantry, Solon failed to institute more radical land redistribution measures and the debt cancellation transpired to be a one-off measure. While the abolition of debt slavery lasted after Solon’s time, debt cancellation and the redistribution of property was eventually prohibited under Athenian law. Similar cancellations were unsuccessfully attempted in Sparta under Kings Agis IV (241 BC) and Cleomenes III (227 BC).


Michael Hudson, op. cit.

A glossary of debt and restructuring

To understand the many facets of debt cancellation, various terms in the debt lexicon need to be explained. A loan has multiple dimensions including the principal amount and currency or asset loaned; the maturity of the loan – the timing of interest and principal (re)payments; the interest rate (fixed or variable); and the collateral or security taken to protect the lender against default. The last entails a legal charge on the borrower’s assets that may be reinforced by loan guarantees from third parties or restrictions on the borrower’s financial discretion (loan covenants).

The more debt a borrower takes on compared to their equity, the more leveraged they are. When a borrower is unable to meet their commitments, lenders can agree to a payment deferral (‘holiday’)* or file for the seizure of their collateral and/or the bankruptcy of the borrower. Critical to the likelihood of the lender recovering all or most of the amount owed is the value of the collateral when sold and the seniority of the loan in the balance sheet of the borrower. Secured loans are usually the debts with the first claim on the borrower’s assets, followed by senior debt, junior debt and equity. The degree to which a debt claim is unmet (written down) in bankruptcy (or out-of-court settlement) is the ‘haircut’ (expressed as a percentage).

When a policymaker, lender or court is deciding on how to relieve the burden of a debt, they can adjust one or many of these dimensions of the loan. Short of outright bankruptcy, borrowers can negotiate cancellation of interest payments, conversion of the loan currency or write-down of the principal to a proportion of that owed. However, when the policy of debt jubilee or cancellation is discussed, it usually refers to the complete (or very significant) write-down of the loan principal.

* For instance, in 2020 as a virus crisis measure, financial regulators in the UK and US required lenders to offer borrowers mortgage ‘holidays’ with interest and principal payments deferred but not cancelled, and a moratorium on repossession.
utopian laws that only found their fulfilment in Jesus’ work of redemption, Leviticus 25 and Deuteronomy 15 can be seen as more regular, frequent and predictable versions of economic institutions with an historic track record, designed to mitigate impoverishment through debt and the concentration of landholding into creditors’ hands. Periodic debt cancellation may have happened rarely in practice in Israel, but it was God’s intention that it should have taken place. After all, Jeremiah condemns late-monarchy Jerusalem under Zedekiah for not releasing its debt slaves as God intended every seven years (34:8–22) while Nehemiah re-instituted the seven-year cancellation cycle in the post-exilic period (10:31). How do these insights gleaned from biblical law and history affect our approach to current proposals for debt cancellations?

Contemporary proposals for debt cancellations and restructurings

There are a wide range of proposals for debt write-offs to be negotiated with, or forced upon, lenders that involve the panoply of debt restructuring instruments (see box). The most prominent are:

1. **Highly-Indebted Poor Countries**

   After a prolonged effort spanning the turn of the millennium, the Jubilee Debt campaign along with others succeeded in persuading multilateral agencies (the World Bank and IMF) as well as G7 country lenders to provide around $130 billion (bn) of debt relief to 36 HIPCs beginning in 2005. Despite these benefits, HIPCs now face high and rising debt levels once again due to further borrowing in the past decade from a greater diversity of creditors (notably China), and a shift towards less concessionary terms. Hence, a new round of debt relief was initiated in response to the economic consequences of the coronavirus and the accompanying policy response.

   In April 2020, G20 countries agreed to an opt-in ‘debt service standstill’ for eligible countries, mostly HIPCs, until the end of the year. Where requested, this entailed a temporary suspension of loan repayments for both principal and interest on condition that debt relief is used for social, health and economic support, all public sector financial commitments are disclosed and new non-concessionary debts are constrained. The debt standstill aims to improve HIPCs’ liquidity position but the G20 acknowledged that HIPCs’ debt could become unsustainable if the global economic downturn is protracted. Deeper restructuring of their debts would then become necessary.

2. **US and UK household debt**

   The US student debt stock has now reached $1.7 tn, with 25 per cent of loans in default. It is now almost entirely owned by the US government (as it offers easy terms at subsidised rates, thereby fuelling the explosive increase in US college fees in real terms in the past 30 years). The burden of student debt is now demonstrably having an adverse impact on household formation, marriage and house purchase amongst graduates while resulting in a working lifetime of indebtedness for many. This prompted Senators Warren and Schumer to propose that the US Treasury cancels the large majority of debt, while President Biden has proposed a smaller-scale write-off.

   Debts accrued from medical procedures prompts two-thirds of US personal bankruptcies. A particularly effective initiative to address this is RIP Medical Debt, which buys distressed debts owed to medical practices and hospitals at substantial discounts (up to 99 per cent) using donated funds and then cancels the obligations. In so doing it has eliminated $3 bn in debt for 2 million households since 2014. Churches and other community groups donate funds to relieve the medical debts of their neighbours.

   In the UK, the focus of recent concern is on the stock of consumer debt, comprising credit cards, car and store loans, and debts to high-risk lenders. This peaked at £225 bn in 2019, but has subsequently fallen by £20 bn in 2020 as credit card debt was paid back. Average consumer debt is £24,2 k per adult, although this data conceals a marked concentration of debt on those with lower incomes.

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25 OECD, op. cit.


27 The Schumer/Warren proposal entails up to $50 k of write-off of federally-owed debt for each graduate with income below a specified level, costing around $1tn.

28 The Biden plan would forego $10 k of outstanding student loan debt for all borrowers (adding roughly $0.4 tn to the US federal debt) and also cut minimum repayments. <https://ripmedicaldebt.org>

29 In February 2021, an Omaha church cancelled $7.2 m of debt owed by 2,700 households in Nebraska with a $35 k donation. <https://disen.com/news/omaha-church-nonprofit-partner-to-cancel-72-million-worth-of-medical-debt>
addition, there is £155 bn of student debt outstanding and £1,527 bn of mortgages. Despite record low interest rates, an average of 280 personal bankruptcies occurred daily (August–October 2020). Twelve mortgage repossessions a day occurred in 2020 Q1 before a moratorium was imposed as part of the coronavirus policy response. Even before 2020, academic Johnna Montgomerie advocated the cancellation of a proportion of UK household debt paid for by a combination of financial engineering on the government’s balance sheet and relieving borrowers of debt burdens that banks have already written off. The ‘Reset the Debt’ campaign of UK churches argues for £5 bn of government grants to repay council tax, rent and utility arrears accrued by the poorest households during the virus-affected period.31 This could be funded by a windfall tax on those companies that have profited from coronavirus restrictions.

3. Corporate debt
Due to low interest rates, central bank money-printing and the tax break for debt over equity finance, companies in the UK, but especially the US, have spent much of the past decade leveraging themselves up to pay dividends and buy back their shares. Many now face a plunge in earnings, especially in the retail, tourism and travel sectors. Roughly 20–25 per cent of US corporates are estimated to be ‘zombies’ – that is companies having to borrow more to meet debt servicing obligations or with assets valued at less than their debts. The IMF and think tanks have floated the idea of systematic corporate debt restructuring to limit the damage of the current economic shock on future investment. This would entail the forced conversion of debt into equity in companies that progress through an expedited bankruptcy process.

4. Governments
Unless borrowing in a currency and within a legal framework that they do not control, governments tend not to need to default but rather reduce the real value of their debts through inflation or currency devaluation. However, governments in the euro area do not enjoy these options under the EU Treaty. The problems and complications that arise

The case for debt ‘jubilees’
The advocates of forced debt cancellations or write-offs can marshal many compelling arguments, depending on the specific circumstances. Debt relief can be targeted at the poorest in society, thereby relieving the risks associated with the worst household debt problems (involving evictions, homelessness, suicides and divorce). Indeed, financing targeted debt write-offs may yield a net saving to governments if the alternative is homeless families and higher welfare payments. Debt relief for lower-paid graduates would likely have a disproportionate effect on their spending power with potentially large benefits for family formation and cohesion and physical health.

For the poorest economies, debt relief potentially has a significant impact on their governments’ ability to finance needed public spending or infrastructure, or cutting taxes on the poorest households. Given that the policy response to the coronavirus is estimated to place a further 265 million in food insecurity and result in 125,000 child deaths from malnutrition, targeted debt relief from wealthier countries may be the most effective way to release HIPC government resources to address a crisis not of their own making. The bankruptcy and reorganisation of ‘zombie’ companies allows resources to be deployed to more productive uses while enabling the survivors to earn more reasonable returns with a greater ability and willingness to invest for the future. Reducing overall debt burdens should make societies more resilient to future shocks and dilute the effect of debt in widening inequalities of wealth ownership, while reducing the incentive for governments to pull an inflationary ‘surprise’ to reduce their, and others’, debt burdens. Although the precise threshold is disputed, governments whose debts rise above around 90–100 per cent of GDP tend to be associated with lower prosperity as ever more tax revenue goes towards debt service.

The problems and complications that arise
In practice, however, debt write-downs always come at a price to someone. Policymakers need to assess whether the gains outweigh the costs and risks, as well as the moral and legal legitimacy or otherwise of attempting such actions. Where debt relief can be targeted and coordinated (as with severe utility or municipal debts), the gains to the most vulnerable households in welfare terms are likely to far outweigh the cost to taxpayers or utility companies. But where restructured loans are held by highly leveraged

33 IMF, World Economic Outlook (October, 2020).
34 For instance, see Angus Groom, ‘Paying it Forward’ (Onward, October 2020).
37 <https://www.thelancet.com/journals/lancet/article/pii/S0140-6736(20)31647-0/fulltext>.
balance sheets (such as banks), large or unanticipated losses may have amplified effects on their own capital levels and risk of insolvency, which in turn could require government support to mitigate knock-on effects.\(^\text{37}\) Hence, any significant write-downs of household or corporate debt would need to be spread over time to avoid a banking crisis. Even then, future borrowing costs will rise if losses are imposed on lenders by an arbitrary political process.

Where there are multiple creditors of a distressed borrower, coordinating their willingness to take write-downs will often be a fraught task. For instance, a significant hurdle to debt relief for HIPCs now is that they have recently borrowed not just from those who granted past debt relief but also from bond markets and other governments (notably China). Creditors will be reluctant to take haircuts on their claims if others are left untouched. Even where the government is the only significant creditor, as with US student debt, poorer taxpayers and conscientious borrowers will feel aggrieved that those who have enjoyed tertiary education and then defaulted are doubly benefitting from debt relief at their expense. Other debtors may cease making payments in the hope of similar relief in future while the true underlying problem of rampant cost inflation in US colleges goes unaddressed. In other contexts, constitutional and human rights constraints mean that governments cannot simply restructure the debts owed to third-party creditors on a political whim. For instance, if the ECB were to cancel the government bonds it has recently purchased, it would require recapitalising from those same governments while facing a (likely successful) legal challenge for breaching the EU Treaty.

These are just a selection of the coordination and implementation hurdles that need to be overcome when debts are restructured \textit{ex post} - that is, changing their original terms after the loan has been granted. This is not to say that some of these initiatives do not offer great potential benefits, especially when targeted at the poorest households. It is just that sweeping policy aspirations soon meet cold, hard legal and balance sheet realities in this area.

\textbf{Policy implications}

These complications, and the lessons of biblical law, give various pointers to policymakers when considering debt cancellations.

First, to answer the title question of this paper, this is not the time for a debt ‘jubilee’ in the sense of a systemic cancellation of all debt. Such an approach would entail the collapse of monetary and banking systems and the complete overriding of property law. None of the proponents of debt cancellations cited argue for complete debt write-offs even in one sector of the economy.

Second, where possible, we should use, or expedite, existing bankruptcy procedures to improve balance sheets. These legal procedures trade off the need to give conditional debt relief to borrowers who are unable to pay while ranking the claims of creditors and negotiating a court-approved settlement. The process is meant to ensure that borrowers do not default at will, while drawing a line under creditor claims and observing the rule of law. For instance, US student debt\(^\text{38}\) is not included in the personal bankruptcy process (Chapters 7 or 13), meaning that these debts survive a borrower’s personal insolvency. Before embarking on outright debt forgiveness entailing arbitrary injustice, the US government should include its claims within the personal bankruptcy regime. Elsewhere, governments may need to fast-track court arbitration processes to ensure that coronavirus losses are shared between creditors and landlords rather than just resulting in a wave of tenant evictions and home repossessions. UK personal Debt Relief Orders offer a cheaper and quicker means of write-down than personal bankruptcies and could be reformed to assist a wider range of highly indebted households.\(^\text{39}\)

Third, the financial system as a whole needs to be made much safer, so that sizeable debt write-downs can be considered where necessary. While significant progress has been made to raise the capital levels of banks since the 2008–09 crisis, they are likely to be insufficient if the post-virus recession is severe. More far-reaching proposals have been made elsewhere to restructure banks so that the financial system is resilient to such shocks.\(^\text{40}\) Non-bank creditors (bond and pension funds) and shareholders (such as private equity funds) should not be shielded from corporate debt restructuring losses.

Fourth, a principled stand against indebtedness \textit{per se} is needed at all levels of domestic and global society. This can be aided by preferably reversing or, at least, removing the subsidies banks enjoy in the creation of debt and companies receive when borrowing. Housing finance needs to be transformed from the debt-based mortgage contract to an equity-share model whereby financier and owner-occupier share the ownership of the property with rent being paid by the occupier for the unowned property share. We have already noted that the round of HIPC debt cancellations in the first decade of the century alleviated, but did not solve, the problem of over-indebtedness.\(^\text{41}\) A more durable solution would be for HIPC countries either to be offered interest-free loans or to issue securities with returns linked to their

\[37\] It is noteworthy that proponents of radical debt cancellations (such as the Jubilee Debt Campaign, Johnna Montgomerie) fight shy of encouraging the bankruptcy of banks or firms bearing the losses of their policy proposals.

\[38\] UK student loan repayments are already linked to a graduate’s earnings, therefore the borrower’s financial distress automatically means that the debt does not require servicing.


\[41\] Argentina has restructured its debts nine times since independence, while Greece has spent over half its existence as an independent nation in technical default.
The regular biblical cycle of debt cancellation would have ensured that indebtedness would have been contained and periodically eliminated. The temptation to prioritise access to current resources over future costs and risks is a resilient one. Without a stance against long-term indebtedness itself, the advocates of debt jubilees sound radical but would merely be patching up the debt system for its next crisis in 10–15 years or so.

Final reflections on the year of debt cancellation

In hindsight, it is apparent that the seven-year cycle of debt cancellation of Deuteronomy 15 is far wiser and more subtle than previously realised. While ex post and arbitrary debt cancellations were known in ancient Mesopotamia, the Mosaic code formalised such relief ex ante, thereby making the rules of the game known to both borrowers and lenders in advance. Interest-free loans and, if absolutely necessary, debt servitude acted as the final safety nets for those in desperate need but could not become tools of long-term involuntary enslavement. In combination with the prohibition of interest and the jubilee, periodic debt cancellations ensured that indebtedness would have been contained and property ownership will not be won.

Much concern is expressed, by Christians and others, about growing inequalities of income and wealth within high-income economies. These have gone hand-in-hand with the re-emergence of debt serfdom, first amongst lower income households and now amongst recent graduates and the young. It is no coincidence that the origin of these trends can be traced to the early- to mid-1980s when financial markets and banks were deregulated and economy-wide debt-income ratios began their inexorable rise. Yet Christians seem to forget that the only occasion God promises the elimination of poverty within Israel is in the context of periodic debt cancellation. Without that committed antipathy to long-term indebtedness, the struggle against rising inequality of wealth and property ownership will not be won.

The biblical narrative is the outworking of God’s plan to redeem his people from bondage to enjoy their liberty and promised inheritance in his presence. This gospel vision inspired the initial fight against slavery. It can do so again to relieve the burden of debt slavery.

In hindsight, it is apparent that the seven-year cycle of debt cancellation of Deuteronomy 15 is far wiser and more subtle than previously realised.

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Next issue: Surveillance capitalism

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