Cambridge University Press 978-1-316-61777-9 — Bankruptcy: The Case for Relief in an Economy of Debt Joseph Spooner Table of Contents <u>More Information</u>

#### CONTENTS

List of Figures page xii Preface and Acknowledgments xiii

1

- 1 Introduction
  - 1.1 The Debt Economy: Household Debt and Crises of Financialised Capitalism 1
    - 1.1.1 Debt and Economic Stagnation 7
    - 1.1.2 Debt and Inequality 8
    - 1.1.3 Debt and Political Instability 11
    - 1.1.4 The Case for Debt Relief 13
  - 1.2 An Indebted Society: High Household Debt Levels and Over-Indebtedness 15
    - 1.2.1 Household Debt Levels 15
    - 1.2.2 Distribution of Household Debt 17
    - 1.2.3 Debt and Over-Indebtedness 20
  - 1.3 A Law of Consumer Bankruptcy 23
  - 1.4 Debt Overhang and the Limits of Bankruptcy 31
  - 1.5 Conclusion 34
- Financialised Capitalism and the Centrality of Household Debt 37
  - 2.1 Eras of Capitalism: Political Economy of the Household Debt Expansion 37
    - 2.1.1 Post-War Consensus in Keynesian Demand Management 39
    - 2.1.2 The Neoliberal Turn and Inflation Targeting 41

Cambridge University Press
978-1-316-61777-9 — Bankruptcy: The Case for Relief in an Economy of Debt
Joseph Spooner
Table of Contents
More Information

viii

#### CONTENTS

- 2.1.3 Neoliberal Regulation and the Legal Foundations of a Debt-Dependent Economy 42
- 2.1.4 Neoliberal Regulation, Market Innovation and the Consumer Lending Revolution 49
- 2.1.5 Justifying a Debt-Dependent Economy 51
- 2.2 Contradictions of the Debt-Dependent Economy 53
  - 2.2.1 Privatised Keynesianism and Loans for Wages 53
  - 2.2.2 Credit/Welfare Trade-Off 54
  - 2.2.3 'Let Them Eat Credit': A Time-Limited Credit Consensus 56
- 2.3 Conclusions 61
- 3 Consumer Bankruptcy Theory and the Case for Debt Relief 65
  - 3.1 Introduction: Ambivalent Aims and an Identity Crisis of Personal Insolvency Law and Policy 65
    - 3.1.1 Bankruptcy: Debt Collection or Debt Relief? 66
    - 3.1.2 Bankruptcy: Commercial Law or Social Safety Net? 69
  - 3.2 Developing a Hierarchy of Policy Priorities 73
    - 3.2.1 Creditor Wealth Maximisation and Bankruptcy as Debt Collection 77
    - 3.2.2 Consumer Credit Market Failures and the Creditors' Bargain Model 80
    - 3.2.3 Externalities 86
  - 3.3 Bankruptcy as Social Insurance 93
  - 3.4 Objections to Debt Relief 97
    - 3.4.1 Moral Hazard 98
    - 3.4.2 'Lenders Should Feel Able to Advance Money' 99
    - 3.4.3 A True Tragedy: The Practice of Bankruptcy When There Is Nothing Left to Collect 102
  - 3.5 Conclusions: The Case for Debt Relief 105
- 4 A Consumer Bankruptcy Marketplace 112
  - 4.1 Introduction: The Retreat of English Consumer Bankruptcy Law 112

Cambridge University Press	
978-1-316-61777-9 — Bankruptcy: The Case for Relief in an Economy of Debt	
Joseph Spooner	
Table of Contents	
More Information	

		CONTENTS	ix
	4.2	Debtor Choice and the Structure of English Law 118	
	4.3	<ul><li>'Vanishing' Bankruptcy: Restricted Access to Public</li><li>Provision 122</li></ul>	
	4.4	Individual Voluntary Arrangements: Contractual Bankruptcy 130 4.4.1 The Market Dominance of the IVA 131 4.4.2 Facilitating the Consumer Bankruptcy Market 133 4.4.3 Judicial Shaping of the IVA 'Product': Contractual Bankruptcy and Creditors' Bargains 137	
	4.5	Conclusion 143	
5		e Limits of Contractual Consumer Ikruptcy 147	
	5.1	'Market-Based Debt Resolution' and Post-Crisis Consensus 147	
	5.2	The Consumer Bankruptcy Market 149	
	5.3	<ul> <li>Failures in the Consumer Bankruptcy</li> <li>Market 154</li> <li>5.3.1 Intermediation and Principal-Agent Problems 154</li> <li>5.3.2 Contracting Failures and the Limits of Consensual Household Debt Restructuring 158</li> </ul>	
	5.4	Conclusions 167	
6		e Austere Creditor: Austerity, Bankruptcy Policy and vernment Debt Collection 174	
	6.1	Introduction 174	
	6.2	<ul> <li>Household Debt at a Time of Austerity 176</li> <li>6.2.1 Austerity Policies, Increased Household Financial Difficulties and 'Priority Debts' 176</li> <li>6.2.2 The Austere Creditor: Austerity and Government Debt Collection 181 <ul> <li>(I) Social Welfare Debt: A Tightening Social Safety Net 181</li> <li>(II) Local Government Debt 183</li> </ul> </li> </ul>	

Cambridge University Press
978-1-316-61777-9 — Bankruptcy: The Case for Relief in an Economy of Debt
Joseph Spooner
Table of Contents
More Information

X

#### CONTENTS

- (III) The Austere Creditor in Context: Privatisation, Commercialisation and the Neoliberal State 184
- 6.2.3 Implications for Bankruptcy 186

# 6.3 Testing the Law's Insurance Function in the Face of Austerity and Recession 188

- 6.3.1 Priority Debts in Personal Insolvency 188
- 6.3.2 Government as (Priority) Creditor: Council Tax Collection and Local Authority Creditor Petitions 192
- 6.3.3 Litigating State Immunity from the Fresh Start 200
- 6.3.4 The *Sharples* Decision and Bankruptcy in a Housing Crisis 205
- 6.5 Extending Bankruptcy's Social Insurance Function to Government Debts 207
- 6.6 Conclusions 213
- 7 Moral Hazard and Bankruptcy Abuse Prevention 216
  - 7.1 Introduction 216
    - 7.1.1 The 'Very Bedrock' of Bankruptcy Law 216
    - 7.1.2 The Household Debt Expansion and the Reasonableness of Consumer Borrowing in a Debt-Dependent Economy 219
    - 7.1.3 Neoliberalism, Financialisation and the Responsible Financial Consumer 220
  - 7.2 Moral Hazard, Debtor Misconduct and Bankruptcy 'Abuse' 222

7.2.1 The Politics and Morality of Moral Hazard2227.2.2 Moral Hazard as a Policy Tool225

- 7.3 Addressing Moral Hazard under English Law 227
  - 7.3.1 The Cost of Debt Relief: Designing Incentives 227
  - 7.3.2 Bankruptcy Restrictions Orders and Undertakings 232
- 7.4 Limitations of the Bankruptcy Restrictions Order/ Undertaking System in Addressing Moral Hazard 236

Cambridge University Press 978-1-316-61777-9 — Bankruptcy: The Case for Relief in an Economy of Debt Joseph Spooner Table of Contents <u>More Information</u>

#### CONTENTS

- 7.4.1 Applying a Historical Commercial System to Contemporary Consumer Debtors 237
- 7.4.2 Financialised Capitalism, New Public Management and the Enforcement of Bankruptcy Law 239
  - (i) Procedural Problems: Contractualisation and the Limits of Consumer Plea Bargaining 239
  - (ii) The Bankruptcy Restriction Order/Undertaking Regime and 'Post-Democratic' Governance: Performance Targets and Political Communication 243
- 7.4.3 Indeterminate Standards and Difficulties in Determining *Reasonable* Borrowing Behaviour 247
- 7.5 Moral Hazard and Judging the Reasonableness of Consumer Borrowing Behaviour 250
  - 7.5.1 Household Borrowing in the Debt Economy 250
  - 7.5.2 Moral Hazard and the Allocation of Responsibility for Consumer Insolvency 252
- 7.6 Forgiveness, Discipline and the Privatisation of Credit Morality 256
  - 7.6.1 'Market-Based Debt Resolution' and Forcing Debtors to'Do the Right Thing' 258
  - 7.6.2 Credit Reporting in Contemporary Surveillance Capitalism 261
- 7.7 Conclusion 267
- 8 Conclusion 271
  - 8.1. Bankruptcy as Social Insurance in a Debt-Dependent Economy 272
  - 8.2. The Logical and Political Limits of English Bankruptcy Law 274
  - 8.3 Social Insurance of Last Resort or a Right Not to Pay One's Debts? 278
  - Index 282