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The Urgent Need to Better Measure Household Debt

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Introduction

In its latest report, *A World of Debt*, UNCTAD (2024) highlights the new record level of global public debt reached in 2023. Beyond the alarming amount of debt, it is, above all, its trajectory that is worrying. In 2022, total debt represented 238% of the world's Gross Domestic Product (GDP), an increase of 9 percentage points compared to 2019. Debt has more than doubled in the countries of the South since 2010, and in 2023 nearly 50 countries have devoted more resources to paying interest on their debt than to essential sectors such as health or education. While public debt is the subject of particular attention in the economic and political spheres, private debt, particularly household debt, remains relatively unexamined. Yet, over and above the conventional indicators used to assess changes in household debt, it has a tangible impact on the daily lives of a huge proportion of the world's population, particularly in developing countries. The evolution and measurement of household debt are crucial issues for development, and the stakes extend beyond simply accessing or not accessing financial markets.

In order to gain a better understanding of the global dynamics of indebtedness, we propose to focus our analysis on France, on the one hand, and certain countries in the South, notably India and Brazil, on the other. Initially (section 1), we will base our analysis on three key indicators: (i) the debt ratio as a percentage of Gross Domestic Product; (ii) the debt ratio as a percentage of gross disposable income; and (iii) the debt service ratio. In most countries in the North, as in the South, these indicators show that household debt levels have risen gradually since the early 1990s and are now at record levels. In section 2, we will delve deeper into the variety of debt types and their consequences, especially for the most susceptible households, thereby illuminating realities often obscured by conventional debt metrics.

1 Measuring household debt

1.1 Household debt as a proportion of Gross Domestic Product (GDP)

The household debt-to-GDP ratio, one of the most commonly used indicators at the international level, provides an initial overview of debt trends. This ratio is difficult to read, as its value depends on the structure of GDP, the level of social protection, and the nature of the debt, among other factors, but its trajectory is fairly clear. In fact, despite major differences between countries, including those with similar characteristics, the trends are similar and point to a rapid increase in household debt across the world. In France, household debt has doubled in twenty years, rising from 33% of GDP in 2000 to 66% in 2022 (see Figure 1). This trend is all the more worrying in the countries of the South, which have seen a very rapid increase since the 2000s. In India, for example, household debt represented 2.5% of GDP in 2000, compared with around 35% in 2022; in Brazil, it has risen from 13.9% to 34.5% over the same period. Finally, we should note the typical case of China, which has seen a spectacular increase over the period, with household debt as a proportion of GDP rising from 10% in 2006 to over 60% in 2022.

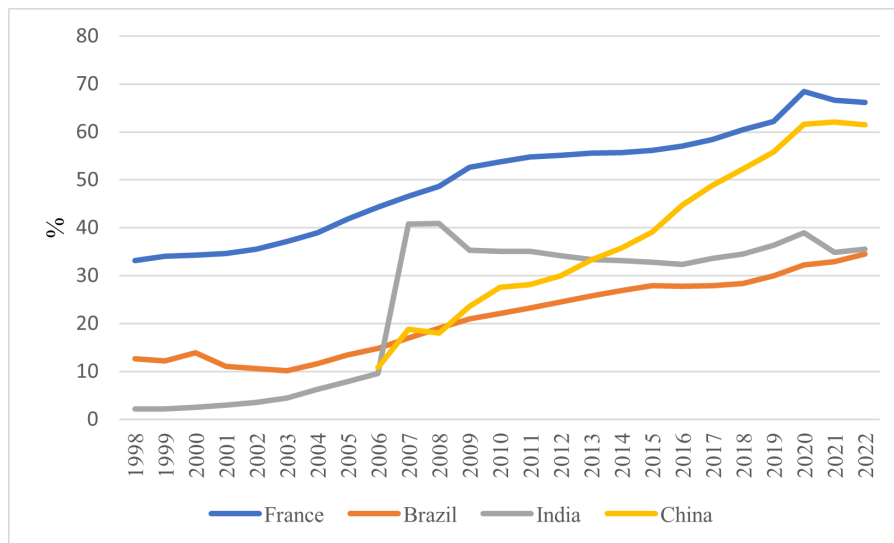


Figure 1: Household debt as a percentage of GDP

Source: Authors, based on IMF data:

https://www.imf.org/external/datamapper/HH_LSGDD/SWE/AUS/CAN/DEU/USA/GBR/IND

(Accessed on November 21, 2024).

Admittedly, from a macroeconomic point of view, household debt supports consumption, one of the drivers of economic growth in the short term (Lombardi et al., 2017), and theoretically serves to finance business investment. However, several studies have highlighted its negative effects in the medium term. A study of 30 developed countries between 1960 and 2012 (Mian et al., 2017) showed that an increase in the household debt-to-GDP ratio predicts lower GDP growth and higher unemployment. Studies on a larger panel of countries and over a longer time period (Alter et al., 2018; Lombardi et al., 2017) have confirmed

these results. Other studies have also identified a strong link between a rise in household debt and an increase in social inequality (UNHRC, 2020).

1.2 Household debt as a proportion of Gross Disposable Income (GDI)

The household debt-to-income ratio is a more revealing indicator of debt dynamics than the ratio of household debt to GDP, as it directly measures debt in relation to the resources actually available to households, rather than in relation to the national wealth produced.

As in most European countries, in France this debt ratio is rising steadily. It has risen from 76% of GDI in 2000 to 127% in 2023 (see Figure 2). This trend is even more marked in some countries. In Norway, for example, the ratio exceeds 250%, indicating that household debt is more than two and a half times greater than gross disposable income. However, it is important to note that the debt of Norwegian households, similar to those in most Northern countries, primarily consists of loans used to finance property purchases (Lindquist et al., 2015).

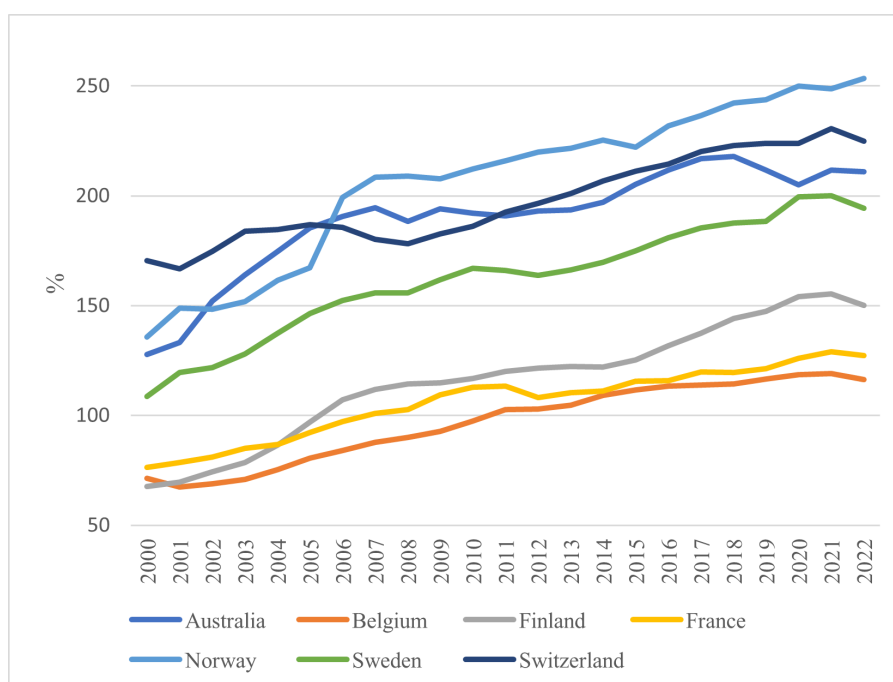


Figure 2: Household debt as a percentage of GDI

Source: Authors, based on OECD data:

<https://www.oecd.org/en/data/indicators/household-debt.html> (Accessed on November 21, 2024).

This trend is also true on a global scale. In Brazil, household debt has increased considerably in recent years, with the household debt-to-income ratio rising from 16.5% in 2005 to 49% in 2022 (Montani et al., 2023). Excluding mortgages, which represent the largest share in volume, debt still represents 30% of household GDI. In India, this ratio reached 48.1% in 2023, compared with 43.3% in 2020 and around 35%

in the early 2010s (Motilal Oswal, 2023).

Due to the financialization of the economy, the opening up of financial markets, the attractive interest rates and the active financial inclusion policies, there has been a sustained rise in debt without an equivalent rise in income levels, which has widened the debt-to-income ratio and increased the risk of over-indebtedness and default.

Although the household debt-to-income ratio is a better indicator of debt sustainability than the household debt-to-GDP ratio, it also has certain limitations. This ratio only takes into account the total amount of debt without considering repayment schedules, interest rate burdens, or the specific conditions of each loan (such as the risks incurred in the event of default or the rigidity of repayment terms). However, it is precisely the ability of households to repay their debts in the short and medium terms that determines their level of financial fragility.

1.3 Debt service ratio

The debt-to-GDP or debt-to-GDI ratios presented above are useful indicators for understanding debt dynamics at the macroeconomic level insofar as they are simple to measure and allow international comparisons. However, they can conceal very different realities at the household level. The household debt service ratio is a finer measure of indebtedness, as it measures the proportion of household disposable income allocated to debt repayments (principal and interest). This ratio makes it possible to understand debt sustainability at a more granular level by focusing on the effective burden of debt on household budgets. The lower the debt service ratio, the more sustainable the debt is considered to be.

For example, in France, according to data from the Bank for International Settlements (BIS),¹ the debt service ratio was relatively low in 2023, just above 6%. This suggests that, for a large majority of French households, debt repayments do not weigh heavily on their disposable income. However, some economies have experienced far more worrying trends since 2000. In 2023, again according to BIS data, the debt service ratio of Australian households reached 17.1%, compared with 13.5% in 2021. In India, it rose from 5.8% in 2002 to around 12% in 2023 (Motilal Oswal, 2023). Even more alarming, Brazil's household debt service ratio peaked at 26.6% in 2023 (Banco Central do Brasil, 2024). In other words, Brazilian households devote more than a quarter of their disposable income to loan repayment. Beyond national averages, this growing debt burden hits the poorest households hardest. Few data disaggregated by income or wealth decile exist, but when they do, they show considerable debt burdens for the poorest. In Chile, for example, the debt service ratio of low-income households has risen sharply, reaching a median level of almost 50% in

¹<https://data.bis.org/topics/DSR/data> (Accessed on November 21, 2024). Note the lack of data produced by international statistical institutions. The Bank for International Settlements, one of the few institutions to produce such data, publishes quarterly reports on household debt service ratios for only 17 advanced economies, thus limiting international comparisons, particularly with countries in the South.

2021 (Raddatz, 2023). The same is true in Mexico, where more than four out of ten workers estimate that they spend between 20% and 50% of their monthly income on debt repayments, and almost one in five workers spend more than 50% of their income on debt (Bienestar Financiero, 2023). This raises serious questions about the financial vulnerability of households and their resilience to face sharp economic fluctuations and high interest rates variations. With this in mind, a study by O'Toole and Slaymaker (2021) has shown, using the case of Ireland, that a worsening debt service ratio significantly increases the probability of default, regardless of the initial debt burden. A rapid rise in the debt service ratio can therefore leave households vulnerable, even in contexts where the overall level of debt appears to be under control. For instance, despite having relatively low household debt-to-GDP ratios (around 33% in 2022), India and Brazil exhibit a particularly high debt service ratio that reflects the true burden of debt. In contexts like India, where a significant portion of debt is informal and not included in national statistics, this becomes even more concerning. Official figures considerably underestimate the true scale of debt. The Observatory of Rural Dynamics and Inequalities in South India (ODRIIS) conducted research in a rural area in the south of the country, revealing that informal debt can contribute up to 62% of household debt. This work also shows that the debt service ratio is well above official estimates, rising from 44% in 2010 to 48% in 2016 and 68% in 2020 (Guérin et al., 2023, 2024).

In addition to debt servicing, which covers both principal and interest repayments, it is also essential to look at the impact of interest rates on debt servicing costs. Interest rate fluctuations significantly impact household finances, especially when loans have variable rates or high fixed rates. For example, ODRIS estimates that in their study area in India, average interest rates associated with different forms of debt are around 24%. Despite the burden that this represents, few studies focus specifically on the burden of debt interest, and the national statistical institutes do not seem to have grasped the scale of the problem.

A detailed analysis of the debt burden requires the measurement of a new ratio: the debt interest service ratio. This measures the proportion of income devoted exclusively to the repayment of interest, which, unlike the repayment of capital, is a real cost. Although often neglected by statistical institutes, interest on debt reflects the incompressible financial burden that debt imposes on households and is therefore a good tool for measuring the vulnerability of households linked to their indebtedness. This indicator also makes it possible to assess the proportion of household income captured by the finance industry.

Works carried out by the ODRIS in India reveal that the debt interest service ratio in the south of the country averages 19% and can represent up to 40% of income for the most financially vulnerable households (Reboul et al., 2025). In Brazil, household interest payments represented almost 12% of their income in the third quarter of 2021 (or 6% of GDP), according to the Federation of Trade in Goods, Services, and Tourism of the State of São Paulo (FecomercioSP, 2021). The increase in debt interest payments has also affected North American countries. In the United States in 2015, the average household spent 9% of its

income on interest payments alone (El Issa, 2015), and the recent rise in interest rates has exacerbated the situation. To give an idea, the average household credit card debt was \$6,065 in 2023. In 2021, the interest rate on this debt was 15%, representing an average expenditure of \$76 per month on credit card interest. By 2023, the interest rate had risen to 21%, and the credit card interest expense had risen to \$106 per month, an increase of 40% without even repaying the principal of the debt (Chiang & Dueholm, 2024).

The three indicators presented in this first part have given us some initial indications of how household debt is evolving at a global level. Although crucial, these figures do not explain the mechanisms behind debt growth. In the second part, we propose to go beyond these indicators in order to gain a better understanding of the scale of debt and its implications for the most vulnerable sections of the population.

2 Understanding debt beyond indicators

There are a number of factors behind the global rise in debt. Without being exhaustive, we propose to focus here on some of its main characteristics: the transformation of the debt structure, the rise of payment arrears and the widespread use of credit cards. We conclude this second section with an analysis of the unequal nature of debt.

2.1 Transformation of debt

When measuring debt, we often overlook the nature of the debt itself. Loans taken out for property purposes and consumer credit exist for different, even opposing, reasons. The former is a long-term investment, while the latter meets short-term needs (Comelli, 2021). However, debt does not solely consist of loans, and the financialization of the economy over the past two decades has significantly changed the trajectory of household debt in both the north and the south.

Property-related borrowing has historically driven debt in northern countries. In France in 2024, 84% of outstanding loans taken out by households were for this purpose (Banque de France, 2024). These loans, which have remained relatively stable over time, continue to dominate household debt, with a third of households in debt for property reasons in 2019 (INSEE, 2021).

Consumer credit, the second largest category of household debt, accounted for 13.7% of outstanding debt and concerned 27% of households in 2019 (INSEE, 2021). Unlike mortgages, consumer credit has contracted sharply in recent years, accounting for 35.4% of households in 2001 compared with 24% in 2021 (Observatoire des Crédits aux Ménages, 2022). The tightening conditions for granting these loans since 2010² and the significant increase in running cost debts,³ which have risen from 20% in 2011 to 33% in 2023

²Since 2010, under the impetus of the Autorité de Contrôle Prudentiel et de Résolution and the Haut Conseil de la Stabilité Financière, the monthly repayment burden (effort ratio) should not usually exceed 35% of borrowers' income, and the loan term should not exceed 25 years.

³"Running-cost debts" represent debts linked to day-to-day household expenses (housing, energy, transport, food, health

for over-indebted households, partially explain this major change in the debt structure. We must view this deceptive decline in consumer credit-related over-indebtedness in France in the context of an increasing multiplicity of other forms of debt. These increasingly include unpaid rent, tax debts, energy bills, and school fees, which now account for a significant proportion of the debt of many households (see below).

Mortgages are less common in the South, and consumer debt is the primary source of borrowing in most countries. Since the 2000s, so-called financial inclusion policies have democratized consumer credit, primarily targeting working-class households and women (Guérin et al., 2023; Narring, 2023). In Brazil, for example, the recent rise in unemployment⁴ has weighed on purchasing power, increasing the number of families indebted to the financial system from 63.6% in 2019 to 76.6% in 2023, according to the National Confederation of Commerce (Correa, 2024). In 2022, bank card debts, often used to purchase essential goods, accounted for 85.6% of household indebtedness. The low level of earned income means that vital needs can no longer be met, forcing a large proportion of the Brazilian population (almost 29% of the population were living below the poverty line in 2021 (UNICEF, 2023)), to resort to credit. In this respect, Gonzalez et al. (2023) note that from 2016 onwards, the supply of consumer credit in Brazil (in the form of personal credit and credit cards) has exceeded property credit, reaching almost 23% of GDP. These authors calculate that 62.8% of household credit, based on figures for 2021, directly links to consumption.

Moreover, in Brazil, as in Chile and Mexico, interest rates on loans to households are among the highest in the world and have been for over twenty-five years (Zeidan, 2020). For example, average interest rates on household credit cards have risen gradually, reaching a staggering 438.4% per year in September 2024 (Verdélío, 2024). In concrete terms, Brazilian households paid 233.5 billion reais in interest in the first half of 2021 alone, equivalent to 73% of the emergency aid granted by the state over the whole of 2020 during the Covid-19 pandemic. At that time, the banks captured nearly 12% of household income, or 6% of the GDP for the six-month period (FecomercioSP, 2021). Growing dependence on credit and the exorbitant interest rates associated with it have plunged a large proportion of Brazilian households into a situation of severe vulnerability (Narring, 2023). A rapidly expanding financial sector thus captures the low incomes of the working classes, and it is interesting to note that in Brazil, the extreme concentration of financial institutions⁵ led to a 460% increase in the profits of the country's four largest banks between 2003 and 2015 (Weisbrot et al., 2017).

and education, insurance, taxes, etc.).

⁴Between 2014 and 2021, the unemployment rate rose from 6.8% to 13.7%, according to figures from the International Labor Organization. See: <https://ilostat.ilo.org/data/country-profiles/> (Accessed on November 21, 2024).

⁵The share of the five largest lenders, measured by the total assets held by these institutions as a proportion of total industry assets, has risen from 50% in 2000 to over 80% in 2019 (Zeidan, 2020).

2.2 Increase in payment arrears

Activists and some academics now tend to view arrears, often overlooked by the political sphere, as a fundamental feature of household debt and over-indebtedness. Based on a 2016 study of the EU28, Dubois et al. (2020) found that 14% of households said they were unable to make scheduled payments on rent or mortgage, consumer credit, loans from family or friends, or utility or telephone bills.

In France, over the last ten years, the number of cases filed with departmental over-indebtedness commissions fell by an average of 6% a year (Banque de France, 2023). At the same time, according to the Médiateur national de l'énergie (2024), the number of interventions requested by energy suppliers as a result of unpaid bills rose by 49% between 2019 and 2023, with more than one million interventions for unpaid bills in 2023. Looking beyond energy, an Oxfam (2023) report on housing reveals that housing rental prices rose by 125.6% between 2001 and 2020, while incomes rose by only 29%. In other words, rental rate has risen four times faster than incomes over the period. This trend is exacerbating the housing crisis and the fact that one in five HLM tenants in France will be in arrears in 2022 (Valranges, 2024) demonstrates this concerning trend. Note that late payments disproportionately affect poor households, with 24% experiencing at least one late payment in the last twelve months, compared to 6% of households with a standard of living above the poverty line (INSEE, 2021).

Elsewhere in Europe, the situation is just as worrying. In 2017, arrears were the most common type of debt in Switzerland, where almost one person in five (18.9%) lived in a household with at least one payment arrears in the previous 12 months (FSO, 2020). Work by Odamtten and Pittaway (2024) in the UK indicates that the number of accounts in arrears with their gas and electricity bills has reached the highest level since records began in 2012, and their data shows that the average amount owed by those in arrears increased by half between 2022 and 2023. The authors also note that more limited access to consumer credit due to tighter regulation has led almost one in ten low-income households to rely on informal or unlicensed lenders to cope. The restructuring of debt, characterized by a decline in consumer credit in Europe, has resulted in a significant increase in late payments. These late payments, often not recognised as debt, necessitate a more comprehensive assessment of indebtedness.

2.3 Increased use of credit cards in the US

American households, as well as those in Chile and Brazil for instance, use credit far more than European households. Consumer credit in the United States exceeded \$5,033 billion in 2024, accounting for approximately 18% of GDP (compared to 7% in France), with credit cards accounting for around 21% of this credit. According to figures from the *Federal Reserve Bank of New York*,⁶ outstanding credit card debt dramatically

⁶<https://www.newyorkfed.org/microeconomics/databank.html> (Accessed on November 21, 2024).

increased from \$478 billion in 1999 to \$1,142 billion in 2024, posing a serious problem for millions of households whose incomes are insufficient to cover their basic living expenses. In February 2024, Debt.com (2024) conducted a study which revealed that 45% of respondents, including 67% of Millennials⁷ and more than half of Generation X, claimed that price increases due to inflation had compelled them to use credit cards to meet their basic living expenses. Furthermore, 35% of respondents admitted to having maxed out their credit cards in recent years, with 49% of Millennials and 11% of Baby Boomers being among the latter group. The *United States Census Bureau* reports that in 2022,⁸ 42.5% of households headed by someone under 35 will have credit card debt, compared with 32% of households over 65. Therefore, this trend seems to particularly affect younger households, highlighting the increased vulnerability of young people, who have less of a safety net than previous generations.

What is alarming, beyond the colossal sums of money involved in this form of credit, is the monthly interest rate, which now exceeds 20% monthly. The massive use of credit cards sends a strong signal about the needs of the most vulnerable American households, and the associated risks of insolvency can have dramatic repercussions for these households and, more broadly, for the economy as a whole.

Whether due to an explosion in consumer credit, increased use of credit cards, or a rise in payment arrears, the explosion in household debt has many facets. However, these debt problems do not affect all populations in the same way, and strong patterns of inequality are at work.

2.4 Debt and social inequality

Few studies specifically address the unequal nature of debt. However, where data do exist, there are major disparities in terms of the incidence and depth of indebtedness according to ethno-racial origin, gender and class.

2.4.1 The racial dimension of debt

Some countries, particularly the United Kingdom and the United States, provide disaggregated data that allows for the exploration of the main characteristics, despite the often insufficient survey data to study the racial dimension of debt. In the UK, for instance, Norman (2020) revealed that, in 2020, one in three individuals from an ethnic minority were behind on their bills, compared to one in eight members of the white population. In the US, 75% of households were in debt in 2019, but the structure of indebtedness by ethno-racial origin also shows major inequalities. Some debts, such as medical bills or credit card debt, are a cost to households rather than an asset. Conversely, a mortgage can serve as a means of acquiring

⁷Millennials (or Generation Y) are people born between the early 1980s and mid-1990s. Generation X refers to people born between 1965 and 1979, following in the footsteps of the baby boomers.

⁸<https://www.census.gov/data/tables/2022/demo/wealth/wealth-asset-ownership.html> (Accessed on November 21, 2024).

assets, thereby facilitating accumulation. African-American and Hispanic households have a disproportionately smaller share of property debt than other households. According to data from the *United States Census Bureau*, in 2022,⁹ 38% of white households had a mortgage, compared with just 24% of African-American households. In 2019 in the United States, the median debt-to-asset ratio for white families was 29.5%, compared with 46.8% for African-American families, 46.2% for Hispanic families, and 37.3% for other non-white minorities, according to figures from the *Survey of Consumer Finances* (EBRI, 2021). In addition, 22.6% of African-American households have medical debts, compared with 13.4% of white households and 16.5% of Hispanic households. A study by Brewer (2020) identified that medical debt increases the risk of household food insecurity, even after accounting for the main socio-demographic and economic risk factors, whereas there is no link between food insecurity and other forms of unsecured debt. Finally, according to *United States Census Bureau* figures,¹⁰ African-American households had the highest share of student loans, 22% versus 17%, and the median amount of these loans was \$28,000 for African-American households compared to \$20,000 for white households. The over-representation of African American populations (and Hispanic populations to a lesser extent) in certain forms of credit thus maintains the reproductive and unequal nature of debt.

2.4.2 The gendered dimension of debt

From a gender perspective, despite the scarcity of disaggregated survey data, numerous studies indicate significant disparities between men and women regarding the necessity, acquisition, and management of debt (Bruneau & Daelen, 2022; Cavallero & Gago, 2021; Guérin et al., 2023). A dual mechanism appears to be responsible for this: on the one hand, gender inequalities persist, leading women to specialize in expensive and socially degrading debt; on the other hand, women primarily bear the burden of debt due to their family responsibilities.

While gender-based economic and social inequalities manifest in various forms, they particularly stand out in the professional sphere, where women predominantly hold insecure, low-paying jobs, particularly in the care sector,¹¹ accounting for three-quarters of jobs in OECD countries (Oxfam, 2020). In France in 2024, women's average salary was still 24.4% lower than men's (Observatoire des Inégalités, 2024), and the wealth gap between women and men almost doubled between 1998 and 2015 (Frémeaux & Leturcq, 2023). DARES (2024) notes that in 2023, over 40% of women will work part-time, compared to less than 10% of men. These inequalities in resources have a double consequence: an increased need for survival debts designed to make ends meet and reduced solvency, which in turn leads to a more intensive use of ex-

⁹<https://www.census.gov/data/tables/2022/demo/wealth/wealth-asset-ownership.html> (Accessed on November 21, 2024).

¹⁰<https://www.census.gov/data/tables/2022/demo/wealth/wealth-asset-ownership.html> (Accessed on November 21, 2024).

¹¹Care professions include jobs in education, healthcare, social work, personal assistance and cleaning.

pensive debts (credit cards, store cards, microcredits, pawnbroking, etc.). These inequalities in resources weigh differentially on women, particularly single mothers; they help to explain why 54% of over-indebted people in France (Banque de France, 2023) and 61% of people taking on debt to buy basic necessities in the UK are women (Norman, 2020).

Moreover, women often bear a significant portion of household debt, particularly when households are experiencing financial difficulties (Callegari et al., 2020; Guérin et al., 2023; Thorne, 2010). Various ethnographies show that it is women who primarily manage bill arrears, juggle credit cards, deal with loan officers and bailiffs, and answer collection agency calls. Unfortunately, quantitative analyses are rare. In a rural area of southern India, one of the few available studies (Reboul et al., 2021) reveals that women bear a heavy burden of debt: they earn an average of 22% of household income but shoulder 37% of debt, primarily for social reproduction (food, health, education, repayment of old debts, family and religious ceremonies).

Goode (2010) links the gendered responsibility for debt to the domestic economy's structure, which assigns distinct spheres of responsibility to women and men. Managing debt implies a set of tasks (counting, planning, negotiating) that are time-consuming, require multiple skills (cognitive, relational, emotional, sometimes sexual), and create value: it is therefore real work (Guérin et al., 2023). Prevalent in contexts where women juggle a large number of debts, debt work sometimes replaces paid work, as observed in South India (Guérin et al., 2023). In the North, such as the UK or Switzerland, managing debt involves sparing other family members from the stigma and shame of debt, thereby resembling another form of care work (Henchoz et al., 2024; Montgomerie & Tepe-Belfrage, 2017). Therefore, both in the North and the South, the financial exploitation stemming from debt and its management contributes to and perpetuates gender inequalities.

2.4.3 Debt and social class

Last but not least, class inequalities, often at the intersection of gender and ethnic origin, serve as another highly discriminating factor in debt. At times, the wealthiest households use debt as a means of accumulating wealth, while the poorest sections of society utilize it as a means of socio-economic survival (Lemoine & Ravelli, 2017). However, the reality of debt varies greatly based on the circumstances, a fact that the indicators mentioned in the first part fail to depict.

According to INSEE data from the 2020 Wealth Survey, households above the fourth wealth decile (the 60% with the most money) contracted most of the 83% of outstanding loans for real estate purposes in 2018. Conversely, households below the second wealth decile (the bottom 20%) are mainly indebted privately for reasons other than property (car purchase, consumer credit, etc.). On the other hand, 26% of out-

standing loans taken out by the wealthiest 10% of households are for professional (and therefore productive) purposes, compared with just 8% for other households. These data highlight the profoundly unequal nature of debt, which primarily serves to enhance the wealth of the privileged¹² and support daily expenses or basic necessities for the most vulnerable (Morvant-Roux et al., 2023). In the United States in 2022, according to the Federal Reserve Bank of St. Louis, credit card debt represented 85% of monthly income for households in the first income decile (the bottom 10%), compared with less than 10% for households in the top decile (Chiang & Dueholm, 2024). Credit cards, with monthly interest rates exceeding 20%, pose a significant financial burden on the poorest households with limited financial market opportunities.

The austerity measures put in place in most countries after the 2007-2008 economic crisis, as well as those frequently adopted since, have also had a significant impact on the economic health of households.

The reduction in social benefits and the tightening of conditions for access to unemployment insurance and retirement pensions have helped to reorganise the logic of intergenerational solidarity. The erosion of earned incomes, the growing burden of debt and interest payments, and food inflation over the period have also accelerated the dynamics of dependency. This phenomenon is particularly evident in southern European countries such as Spain, Portugal, and Greece, as well as in other southern countries like Brazil (Narring, 2022).

Faced with rising unemployment and the difficulty young people have in finding work, the elderly (retirees and the widowed) have become the providers of income and credit for their loved ones during the economic and health crisis that has swept Brazil. Many retirees returned to work on building sites and in the homes of their former employers to pay off debts and help their loved ones.

Conversely, the deterioration in the financial resources and living conditions of some senior citizens is leading more and more young working people to take on care work and financial compensation for their parents (Narotzky, 2021). Blavet (2023) recently published a study showing that, in France, 9.3 million people claim to provide regular help to a relative with a disability or loss of autonomy, and among them, 1.3 million claim to provide financial assistance. The logic of intergenerational solidarity, predominant in Latin America and Southern Europe, seems capable of extending and strengthening in continental European countries such as France.

Thus, individuals' positions within broader social structures result in cumulative advantages or disadvantages that alter the role of debt (Charron-Chénier & Seamster, 2021). In this way, the authors talk about three main aspects of debt inequality: the way financial markets are divided, which changes the kinds of available debt products; differences in the terms of debt, like unfair interest rates; and differences in how people experience debt because of bigger structural factors, like racial differences in inherited wealth.

¹²According to an Oxfam (2023) report on housing, the wealthiest 10% of French households owned 44% of all French property in 2021, and 3.5% of households owned 50% of all rented housing.

However, it is crucial to note that most countries lack disaggregated data at the individual level, which effectively limits our understanding of the differential effects of debt on ethnicity, gender, and class.

Conclusion

In the aftermath of the Second World War, France, like other European countries, experienced a credit boom, mainly aimed at financing the acquisition of housing. Household debt represented two weeks of disposable income in 1954 and three months in 1975 (Banque de France, 2022). From the 1980s onwards, consumer credit became widely available, and today almost one household in two in France has a mortgage or consumer credit (Banque de France, 2022). In the South, the rise of credit is the result of several decades of financial inclusion policies aimed at integrating populations into a financialized market economy. The use of credit has thus gradually become an essential component of consumer habits in both North and South. However, household indebtedness is not a problem in itself. At the macroeconomic level, credit can support household consumption and encourage business investment. At the microeconomic level, it represents an important resource for households to cope with irregular income flows or economic shocks, and in this way helps to smooth consumption (Collins et al., 2009; Taylor, 2012). However, household debt serves as a formidable accumulation tool for the most privileged members of society (Morvant-Roux et al., 2023), and its profoundly unequal nature contributes to the perpetuation of discrimination and domination, particularly in terms of class, gender, and ethnic origin. Certain categories of the population, confined to disadvantageous forms of debt due to unequal access to credit markets and credit conditions, now depend on these debts for survival (Morvant-Roux et al., 2023). The burden of debt and interest repayment then keeps the poorest in veritable poverty traps while generating a series of cumulative effects: food insecurity (Brewer, 2020; Guérin et al., 2024), family conflicts, social isolation and mental disorders, whether anxiety, depression, or suicide (Narring, 2022; Schicks, 2013), or even sexual exploitation (Guérin et al., 2023).

Given the political, economic, and social issues raised by rising household debt, the aim of this note is twofold. The first is to highlight the major trends in indebtedness around the world, and we saw in the first part—despite limited attention from national and international statistical institutes—the alarming rate at which household debt is growing in both North and South. We would also like to draw attention to the obvious lack of disaggregated data at the individual level. Such data is essential to a better understanding of the profoundly unequal nature of debt, both in its uses and in what it produces. The specific work on debt at the micro level highlights the need for a reliable measure of household indebtedness, which goes beyond the indicators typically provided by statistical institutes. Despite the efforts of activists and academics, these issues continue to face a severe lack of attention and response in terms of public policy.

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