

Debt—The New American Slavery

by Michael Mihalik

Lately, an unusual phenomenon has been sweeping the United States. Although our country is known for the freedom it provides for its citizens, millions of Americans are willingly subjecting themselves to financial servitude—a form of slavery.

Financial servitude has a long history in the United States. In the 1600s and 1700s, it was very expensive for immigrants to come to America. Most immigrants didn't have money for the trip, so they would find an American benefactor to pay their way. To pay off the debt once they arrived in America, the immigrants would work for up to 8 years in "indentured servitude" to their benefactors. Both parties benefited from this arrangement. The benefactors gained laborers and apprentices for their businesses, and the immigrants would soon have the freedom to pursue opportunities in the New World.

Today, Americans have rediscovered financial servitude. This time, however, we do not subject ourselves to servitude to find opportunity in the New World, but for new shoes, fancy dinners, expensive cars, and stainless steel appliances. Through credit cards, home equity loans, and other forms of debt, we borrow money until our bills determine when and how much we work—often at jobs we don't even like.

Americans used to avoid debt, but lately we have been persuaded to embrace it. The process starts early—high school and college students receive pre-approved credit cards although their only income comes from babysitting or mowing their neighbor's lawn. We are encouraged to borrow money to buy everything from groceries and clothing to cars and houses. Debt has become an accepted part of our everyday life.

The result? In August 2006, United States consumer debt reached an all-time high of \$2.35 trillion¹, real estate foreclosures are soaring nationwide², and millions of Americans are struggling to make ends meet. Americans are under a level of financial stress that hasn't been seen for generations.

It is time we reclaimed control of our money and our lives. But how?

I turn to my personal experiences for the answer. I know the agony and despair of being burdened by a paralyzing amount of debt. I also know what it's like to triumph over that same debt.

When I was in college, I used debt to finance a lifestyle that I couldn't afford. I used credit cards to buy CDs, an expensive bicycle, skis, stereo equipment, clothes, dinners for my dates, concert tickets, and airplane tickets.

I expected that once I graduated and began work as an aerospace engineer, I would quickly pay off my debt. It didn't work out that way. Instead of using my new salary to pay off debt, I moved into a house with some friends and upgraded to a more expensive car. I also continued buying fancy dinners to impress the girls and taking costly trips.

It wasn't long before my paychecks didn't last as long as my bills. I ran out of money long before payday. I was in trouble. I sat down with a stack of my bills and added up how much I owed. I was shocked at the total. I was 24 years old and sunk into despair because I saw no way of paying off my debt before I was 40. At night, I'd wake up in a panic, worried about my future.

After a period of feeling helpless and depressed, I became determined to come up with a plan to pay off my debt. I read books about personal finance, created a budget, and tried to stick to it. However, I had limited success and my debt continued to grow.

I realized that I was unsuccessful at controlling my finances because before I could change the way I handled money, I had to change the way I *thought* about money. I began creating a money philosophy that transformed the way I looked at money and made it possible for me to pay off my debt and regain control of my finances and my life. My philosophy was based on 10 lessons and ideas.

The first lesson?

Debt is slavery.

For some people, the idea equating debt to slavery is extreme. But while I was paying off my debt, I went to work every day not because I wanted to, but because I had to. I owed a lot of money to a lot of people. If I didn't go to work, I wouldn't be able to pay my bills, my car would be repossessed, and my life would be in ruins.

I had to go to work because of the things I bought using credit—my car, my bicycle, the long-gone dinners and last year's ski trips. I also didn't have the freedom to take advantage of opportunities. I had to turn down a chance to go on a three-month trip around Europe because I couldn't afford both the cost and the time off from work.

I had become a slave to my debt.

After I realized that debt is slavery, every time I was tempted to pull out my credit card, I thought "Borrowing money makes me a debt slave." That idea alone gave me the strength to stop accumulating debt, which made it easier for me to pay off my debt.

So the next time you pull out your credit card to buy something, remember—debt is slavery. Stop borrowing money, concentrate on paying off your debt, and maybe your period of financial servitude will be shorter than the 8 years of our immigrant ancestors.

1. Federal Reserve Statistical Release G.19. Consumer Credit. 6 Oct. 2006
2. Coolidge, Carrie. "Nightmare on Elm Street." *Forbes* 21 Sept. 2006

Michael Mihalik is the author of *Debt is Slavery: and 9 Other Things I Wish My Dad Had Taught Me About Money*. In his book, workshops, and seminars, he uses his personal triumph over paralyzing debt to illustrate 10 essential lessons that will help others change the way they think about money so they too can pay off their debt, regain control of their finances, and reclaim their freedom and their lives.