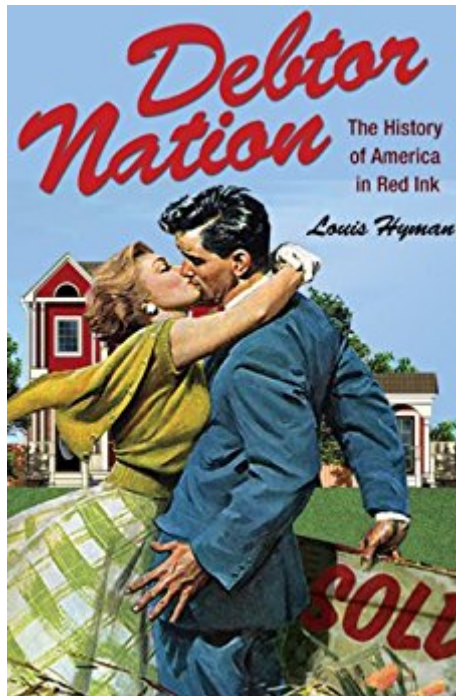


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# Debtor Nation: The History Of America In Red Ink (Politics And Society In Modern America)



## Synopsis

Before the twentieth century, personal debt resided on the fringes of the American economy, the province of small-time criminals and struggling merchants. By the end of the century, however, the most profitable corporations and banks in the country lent money to millions of American debtors. How did this happen? The first book to follow the history of personal debt in modern America, *Debtor Nation* traces the evolution of debt over the course of the twentieth century, following its transformation from fringe to mainstream--thanks to federal policy, financial innovation, and retail competition. How did banks begin making personal loans to consumers during the Great Depression? Why did the government invent mortgage-backed securities? Why was all consumer credit, not just mortgages, tax deductible until 1986? Who invented the credit card? Examining the intersection of government and business in everyday life, Louis Hyman takes the reader behind the scenes of the institutions that made modern lending possible: the halls of Congress, the boardrooms of multinationals, and the back rooms of loan sharks. America's newfound indebtedness resulted not from a culture in decline, but from changes in the larger structure of American capitalism that were created, in part, by the choices of the powerful--choices that made lending money to facilitate consumption more profitable than lending to invest in expanded production. From the origins of car financing to the creation of subprime lending, *Debtor Nation* presents a nuanced history of consumer credit practices in the United States and shows how little loans became big business.

## Book Information

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## Customer Reviews

The cover of the book is far flashier than the book's contents, which are fairly wonky and delivered in a relatively dry tone. The back cover, with blurbs from 5 academics is a better indicator of the contents, as the book is the functional equivalent of a Ph.D. dissertation on its subject. The book is a very solid and detailed history of the development of consumer credit in the US dating back to the 1920s with an emphasis but not exclusive focus on the lending institutions and their incentives and disincentives which vary over time. Much of the book is based on original contemporaneous sources such as news and magazine articles of the day, testimony before and reports of legislative bodies, brochures, industry conference materials and surveys, and personal memoranda of bankers and credit managers. I applaud that, which is real scholarship and real hard work, too. The author's thesis is that the consumer credit industry has been shaped in large part by government action. He shows for example, how commercial banks were first induced to make consumer loans in the 1930s by Title 1 of the Federal Housing Act of 1934, and how revolving credit accounts sprang up in response to the Fed's onerous suppression of prior forms of consumer credit during WWII. The author has a generally center-left perspective (government should work with private capital to make it do what government thinks best and this will usually succeed), which is disclosed from time to time but does not overbear. He also tries to incorporate more leftist perspectives such as feminist, critical race and cultural history but these are very minor in context and I can imagine that, in today's academic world, a dissertation would need to genuflect at those altars.

Never mind the cheesy harlequin romance novel cover, this is a serious book. Perhaps the most amazing thing about Louis Hyman's "Debtor Nation: The History of America in Red Ink," the story of personal debt (namely, consumer loans, long term home mortgages, and credit cards) in twentieth century America, is that it hasn't been written before. Moreover, it was written as a PhD dissertation, and in American history, not economics (Hyman was awarded the prize for best dissertation in history at Harvard and best dissertation in business history nationally for his effort). The end result is a surprisingly easy-to-read and highly informative, not to mention incredibly important, piece of historiography, although not without a few notable shortcomings. There are a few core themes to Hyman's thesis. First, consumer debt is relatively new thing and banks proved

remarkably slow to recognize the huge profit potential it held. Second, it was the ability to securitize consumer loans, first home mortgages but eventually credit card debt, that powered the tremendous growth in lending. But no theme is more pronounced than the author's argument that "Market solutions guided by public policy can work to transform the most basic aspects of our material lives." Hyman's story starts with two key financial innovations, both of which took root after World War I: installment credit (financed by independent finance companies) and personal consumer loans. For centuries there was no legal market for personal loans because usury laws prohibited interest rates over 1.5% a month or 20% annually. At that rate of interest, personal loans were simply not profitable to the lender, he writes.

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