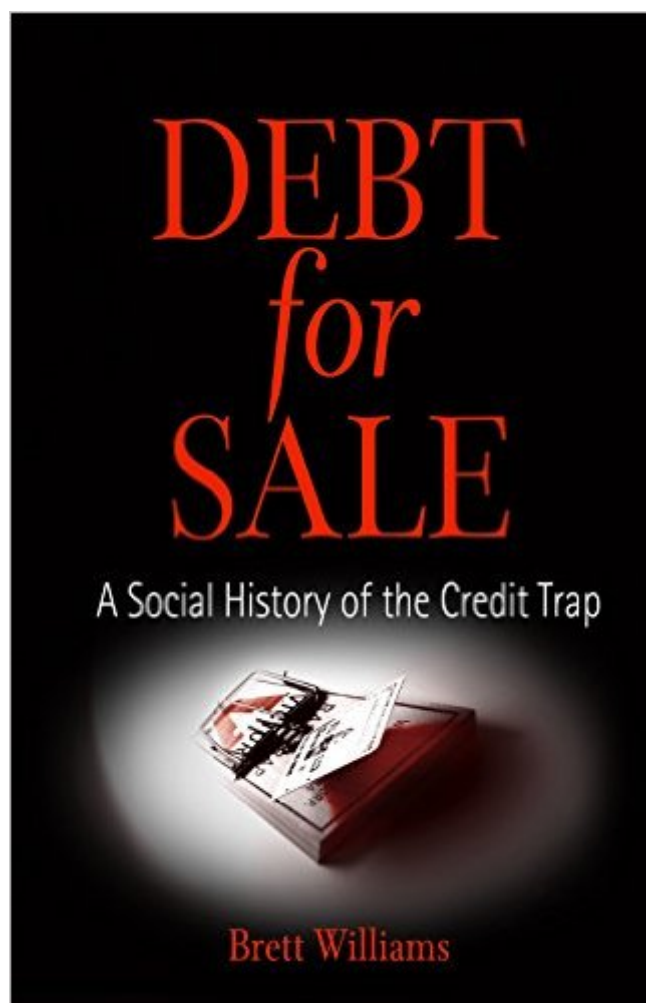


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Debt For Sale: A Social History Of The Credit Trap



Synopsis

Credit and debt appear to be natural, permanent facets of Americans' lives, but a debt-based economy and debt-financed lifestyles are actually recent inventions. In 1951 Diners Club issued a plastic card that enabled patrons to pay for their meals at select New York City restaurants at the end of each month. Soon other "charge cards" (as they were then known) offered the convenience for travelers throughout the United States to pay for hotels, food, and entertainment on credit. In the 1970s the advent of computers and the deregulation of banking created an explosion in credit card use and consumer debt. With gigantic national banks and computer systems that allowed variable interest rates, consumer screening, mass mailings, and methods to discipline slow payers with penalties and fees, middle-class Americans experienced a sea change in their lives. Given the enormous profits from issuing credit, banks and chain stores used aggressive marketing to reach Americans experiencing such crises as divorce or unemployment, to help them make ends meet or to persuade them that they could live beyond their means. After banks exhausted the profits from this group of people, they moved into the market for college credit cards and student loans and then into predatory lending (through check-cashing stores and pawnshops) to the poor. In 2003, Americans owed nearly \$8 trillion in consumer debt, amounting to 130 percent of their average disposable income. The role of credit and debt in people's lives is one of the most important social and economic issues of our age. Brett Williams provides a sobering and frank investigation of the credit industry and how it came to dominate the lives of most Americans by propelling the social changes that are enacted when an economy is based on debt. Williams argues that credit and debt act to obscure, reproduce, and exacerbate other inequalities. It is in the best interest of the banks, corporations, and their shareholders to keep consumer debt at high levels. By targeting low-income and young people who would not be eligible for credit in other businesses, these companies are able quickly to gain a stranglehold on the finances of millions. Throughout, Williams provides firsthand accounts of how Americans from all socioeconomic levels use credit. These vignettes complement the history and technical issues of the credit industry, including strategies people use to manage debt, how credit functions in their lives, how they understand their own indebtedness, and the sometimes tragic impact of massive debt on people's lives.

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Customer Reviews

Debt -- and the degree to which our society and economy have become dependent on it -- is an incredibly important topic. It was thus with high hopes that I picked up "Debt for Sale", Brett Williams' history of the "credit trap." The book made for a quick, emotionally-charged read, but its flaws ultimately left me hoping for a more balanced, more complete treatise in the future. The emotional charge of the book comes from its many anecdotes of the victims of predatory lending, many of which make one's stomach turn and one's blood boil. One cannot help but be disgusted by the rapaciousness of credit card companies tempting college students with easy money, or the avariciousness of the banking marketing exec explicitly targeting the poor with usurious check cashing services. The many stories of those living in debt penury (stories that Williams calls "debt porn") and a solid (if brief) history of the credit card business are the strengths of this book. Unfortunately, the book does a better job convincing of the seriousness of the problem than it does explaining its broad scope or inner workings, let alone exploring solutions. Among the book's several flaws is its nearly exclusive focus on the poor. Debt is an important topic because it has become pervasive -- it is not limited to just the poor. And indeed, the elephant of debt -- mortgage debt -- is virtually undiscussed by the book. Given the rise of insane debt devices like interest-only ARMs and flexible payment ARMs -- and the dubious judgement of the GSEs pumping the liquidity in the first place -- the lack of discussion of mortgage debt is a serious failing. Even when the book is on its home turf of credit card debt, there are dubious assignments of blame.

In "Debt for Sale" Brett Williams examines the history of debt in America and focuses on the many tenets of the Debt Industry. Debt is not only a financial phenomenon but also a social and cultural one heavily embedded into U.S. society. The Debt Industry is a very sophisticated, organized,

methodical, and politically powerful industry in America. Close to 70% of the American economy is now propelled and highly dependent upon, consumer spending. As fixed expenses (expenses we have to pay) increase and take more and more out of the average American's income, Americans are increasingly, spending and borrowing --> borrowing to spend. A high percentage of Americans are now using debt for "cost of living" and not solely for crass, mass consumption. This has become increasingly common for the middle class. There's also the ignorant and myopic: In 2007 the ARM mortgage payments will increase we'll be hearing more and more of the people who used them. :)

Most of us have been in these debt situations. I certainly have. But the degree and size of this situation is what has been increasing dramatically, in particular over the last 2 decades. Debt can help us in many ways (Good debt). However, one question to ask is: how did the *size* (per capita debt ratios) get so big? Williams discusses how debt is now arguably one of the most pervasive aspects in American society. Yet it seems real discourse regarding it is rarely if ever discussed. If there is discussion, it remains on the superficial level of TV talk shows, and newspapers and web articles that redundantly regurgitate "How to get out of debt" or "How to dig your way out of the hole." "Cut up your cards, pay off the higher interest rates first, establish a budget, itemize all expenses.

"Your account is now delinquent in the amount of \$40.00. Until your account is current and below your established credit line, we must insist that you do not use your card. We must inform you that failure to make at least the minimum monthly payment will leave us no other alternative but to turn your account over to our Collection Attorneys. Please be advised your account is also being reported as delinquent to a local credit bureau. Key Federal Savings Bank." (107)

All this heckling is the name of \$40. Imagine you are in the shoes of Will Harrison suffering from diabetes with two amputated legs that opened his own small flower shop years ago and owed \$1,000 a month in interest payments alone. Imagine you are Megan of whom half of her earnings go to pay the minimum of each of credit card bills who has a girlfriend screen her calls as she is terrified of the collection agencies and is depressed as a result of her debt. What a depressing, demoralizing, and humiliating toll the credit industry is taking on the poor of our country. These are the stories of exploitation that Brett Williams recounts in her newest book *Debt for Sale: A Social History of the Credit Trap*. Williams is clear from the very onset that she is making no attempts at neutrality and objectivity; she is simply telling it like it is, or at least the way she thinks it is. She herself suffers from massive credit debt. And yes, the language of suffering and victimization saturate this expose. The institutions, the government, even the consumer culture are to blame in this book for the downfall of

the American poor and lower middle class.

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