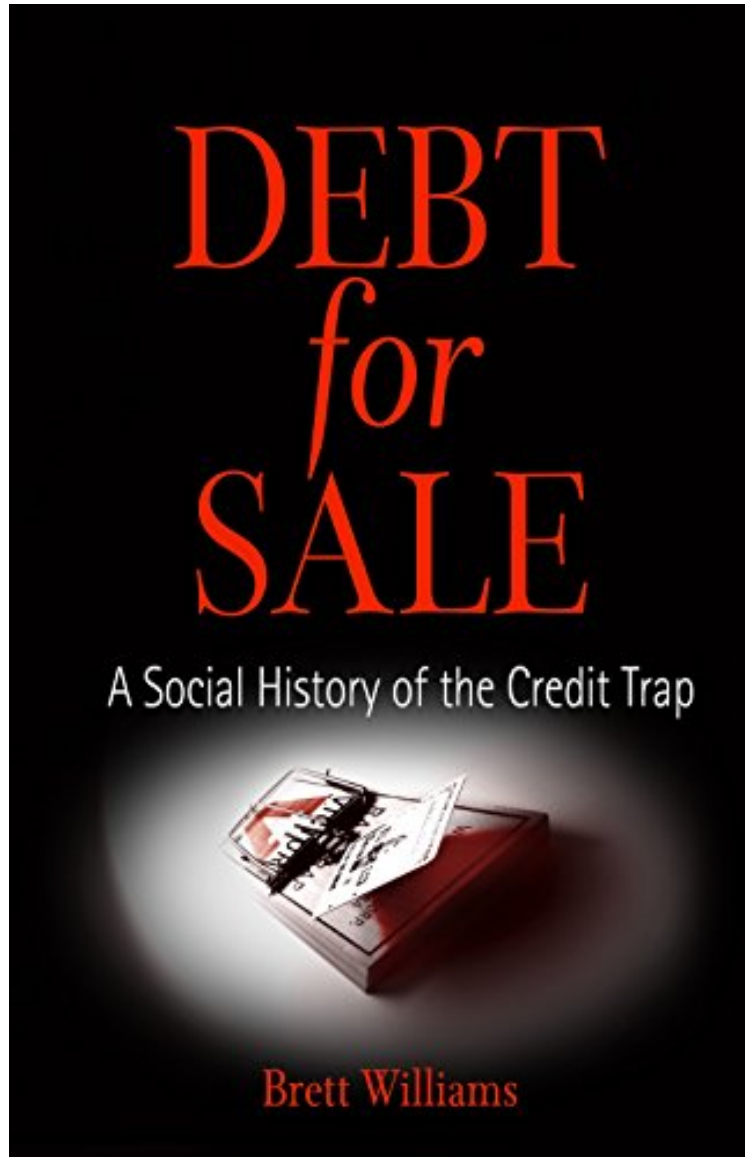


(Online library) Debt for Sale: A Social History of the Credit Trap

Debt for Sale: A Social History of the Credit Trap

Brett Williams

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0 of 0 people found the following review helpful. Well Written InformativeBy Penn FamilyThis is a well researched book that is worth the time to read. It provides valuable insight into why debt has taken over so many people's lives and the affect that it has had on our society.0 of 0 people found the following review helpful. How do you rate a must have book for class ...By Tonya CHow do you rate a must have book for class? It was okay. I had to buy the book for class and for some quizzes. It did help with the quizzes.3 of 3 people found the following review helpful. Mouse On A

WheelBy K. Johnson
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." And, "cut down on the Cappuccino from 5 days a week to two. You'll save X amount of dollars per year this way." Perhaps the question should be not "how" (to dig out of it) but "why" it is there in the first place. Per capita has debt grown so much in the last 20 years that simply 'living beyond one's means' is not the main factor, for many. Further anchoring (revolving) debt into lifestyle normalcy is potential employers running credit checks on non-financially sensitive positions being applied for by job applicants. In many instances, the FICO score has become an almighty determiner about "who a person is." Further confusing the already bemused, are the Self-anointed pop culture gurus and money management helpers who rarely if ever ask the "why" questions, as well. Of course there is good debt, and borrowing can help us in many ways. Obviously, most of us cannot pay cash for certain necessities, such as the car we need to commute to work. (In the U.S. a car is a necessity in most areas.) Excluding the Mortgage and Car Loan, (and in many instances including these 2 debts) one could look at the concept of American debt this way: the systematic engineering to encourage, promote, and place Americans, in debt. Many organizations benefit from this. Corporations prefer to hire and employ people with revolving debt payments. This provides the control and leverage to the employer. The employee is the dependent party in the relationship. The employee works for income and then pays creditors, over a period of months and/or years, while the principle of the debt balance slowly whittles away. The employer holds a disproportionate amount of power in the relationship because the worker has given Self-Determination, or choice, up. As for the non-interest payment treadmill, whatever happened to pay as you go? We sign contracts from everything from cell phones, to gym memberships, to Karate lessons, now. The government likes and wants to keep its citizens in debt. Employees will work longer hours and be more efficient. And productivity improves statistically, when workers have certain minimum Per Capita Debt Ratios. The author notes the normal concept of having debt begins during or right after high school, and usually extends until death. Debt has been internalized by a high percentage of Americans. It is a cultural norm. As for the recent explosion in education costs since 1999, how does the U.S. government address it? By loaning more money; increase the debt ceiling. Williams also asserts the poor get targeted more, proportionally. This is true, however everyone on the socio-economic spectrum gets targeted to acquire, increase, and maintain debts. The poor are the ones that are affected the most severely. The poor get hit more than than the socio-economic groups above them in many ways. This book examines the social history of debt and the credit trap. And although credit card companies can seem predatory, how will "debt forgiveness" advocated in this book, help? Would these people change their behavior? And, would they be able to reduce their fixed expenses? Could debt forgiveness just exacerbate the problem for a sizeable percentage of the population? We also know forgiveness won't happen. This book can motivate some to get off of the treadmill if they choose to, if it's not too late.

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.

Williams is "right on the money," both in her analysis and the solutions she suggests. -- Monthly Labor , June 2007
From the Publisher
Brett Williams is Professor of Anthropology at American University. She is the author of *Upscaling Downtown: Stalled Gentrification in Washington, D.C.*
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