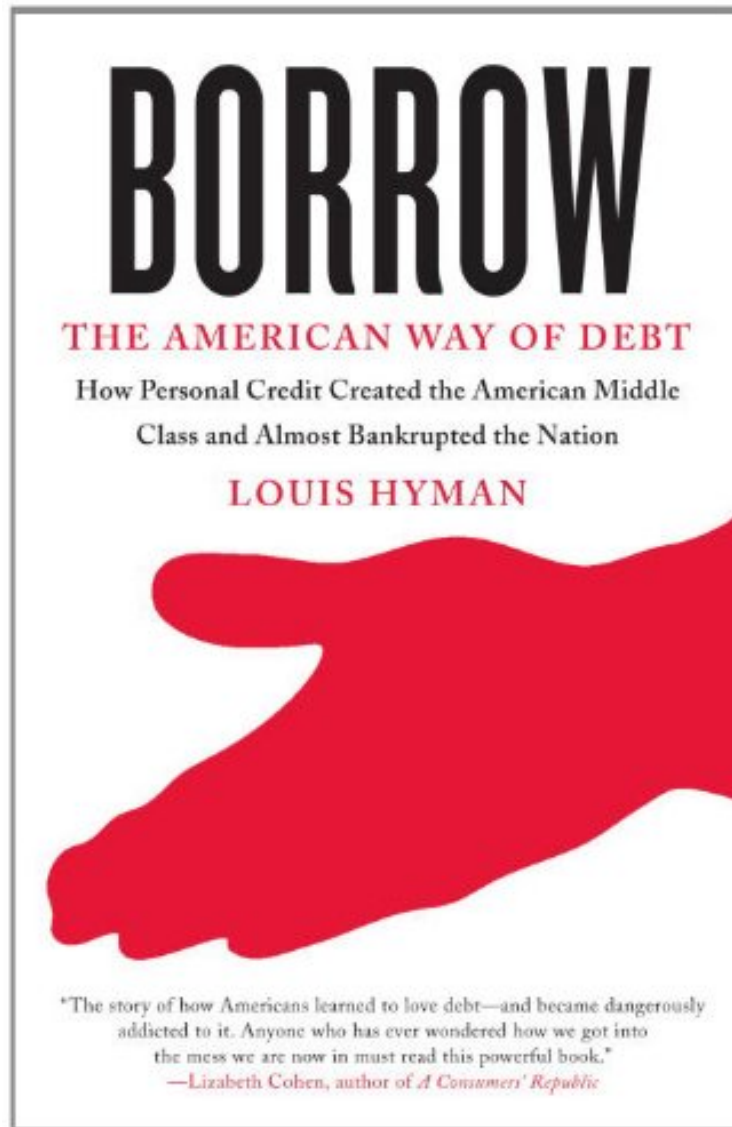


## Borrow: The American Way of Debt

Louis Hyman

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**Louis Hyman : Borrow: The American Way of Debt** before purchasing it in order to gage whether or not it would be worth my time, and all praised Borrow: The American Way of Debt:

0 of 0 people found the following review helpful. How Americans Came to Love DebtBy George FulmoreThis book is about the history of consumer borrowing in the U.S. It is not some kind of a personal finance book.It starts out with a scenario where a young couple needs a mortgage. They go to a local bank, where they are encouraged to take an "interest-only"; balloon mortgage. They take it, but when the economy tanks, and their monthly payment soars, they realize that they made a mistake. The house is repossessed.The year was 1932;not 2008.With this, the

author sets us up for a history of consumer borrowing in the U.S., including for real estate. About my only complaint with the book is that I would have liked more information about the consumer boom in the 20s. This was the era when personal loans began to be based less on assets, and more on repayments. Stores did not want to repossess refrigerators. The 20s were the first great age of consumer debt in the U.S., and this went strong until the advent of The Great Depression, which began in the early 30s. After that, it would not be until after WWII that a consumer boom would reappear. By the late 40s and through the 50s, incomes were steady and few lost their jobs. Borrowing and the accumulation of debt were back in style. In the words of the author, "The postwar suburb was a debtors' paradise." Per the author, the thesis of the book is about "how Americans came to rely on expected future income, rather than money in hand." It is also about how credit "has the capacity to enrich our lives and to make our dreams come true." But all this is not without risk. The author gives us a history of consumer debt in the U.S., and he makes the point that, as it was promoted and perfected, it led to the mentality that "never before has borrowing been so central to how (an) economy works." Although there was credit for farmers and mortgage brokers going back to the 1880s, up until the 1920s, for the most part, Americans paid for what they could afford in cash. Even the Model-T Fords were bought in cash, the price of which had dropped by the mid-20s down to less than \$300. Henry Ford wanted nothing to do with promoting sales via financing. But the General Motors Acceptance Corporation was all about financing, and it soon put Ford Motors out of business, as it urged consumers to buy on credit. The collapse of the real estate market in the 30s meant that consumers needed government protection. In 1934, the Federal Housing Administration (FHA) was established to provide a means for people to buy homes, as a way to pull the country out of The Depression and restart the economy. Up until this time, the mortgage industry had been a local and regional industry. This took it national. Per the author, the suburbs were built through this mortgage program. On to consumer goods, most televisions bought in the U.S., starting about 1950, were bought on credit. This was the age of the large department stores, and the more credit issued, the more merchandise was sold. Americans embraced debt; and, as a bonus, interest paid was deductible at tax time. The 60s ushered in the discount department stores, such as Wal-Mart, Kmart and Target. These stores reduced their overhead by introducing self-service shopping. Customers loved it. And the discounters welcomed something else that was growing in acceptance: credit cards. These cards eliminated the need for the discounters to offer credit and/or to chase customers who were late in their payments. In 1970, only about 15% of American households owned bank-issued credit cards; by 1980, that percentage was up to 35%; by 1990, it was up to 65%. Borrowing increased even more in the 70s, as more and more women entered the workforce. Even small stores and independent chain stores prospered. People with money paid off their credit card balances each month; those with less money paid interest of 18% on their continuing balances. General Electric Corporation made more and more of its money via its financial component: GM Capital, or GMC. For homeowners, the 70s were also a boom in increased equity. As the value of their homes rose, American households could afford to buy more, take more vacations, etc. Mortgage debt was thought of as "good debt." And by the early 90s, home equity loans would become the prime way to "consolidate" debt. Up until 2007, home prices and the stock market rose, for the most part, in concert. Debt was not a major concern for most homeowners, who saw only rising values in their investments. To close this review, there is a good deal in the book, as well, about the secularization of mortgage loans, the sub-prime mortgage crisis, and other elements involved with The Great Recession that begins in 2008. I found it a good read, overall, and a good source of American consumer borrowing history. As an addendum, recent data from the federal government discloses that the U.S. public has a total credit debt of \$3.84 trillion, and this does not include mortgage loan or home equity loan debt. Geeeeezzzz! 1 of 1 people found the following review helpful. Start Saving By Leonard Resto Excellent book to understand the roots of credit and consumerism in the U.S. It relates how we converted from savers to spenders with money we didn't have. We became spenders with money we EXPECTED to have. 3 of 4 people found the following review helpful. Wow. I didn't realize how significant credit has been to our modern economy. By M. Riley I think this is a relevant book for these times. Credit is not a sexy topic, but a book like this is useful in providing the background to the evolution of credit with our modern economy. By illustrating the significant relationship between consumer credit and what composed so much of the driving forces in our economy emerging before the 1920s, the author demonstrates the key role that consumer credit played during these times. After reading this book, I cannot simply point the finger and state that all things would be ok if we had limited the extent of credit. It is so tightly integrated with that relationship that I have no idea how our system (I extend this to the world) would be if credit had been as constrained as it was before the 1920s. I think he does a good job at breaking down the components of a credit relationship; that being why would somebody extend credit to someone in the first place, to show how the misinterpretation of information, such as the ultimately useless meaning of bond ratings, contributed to the recent real estate bubble. On a personal level, I think the take away message is pretty clear; our system loves it when I am left holding the bag. His suggestion for resolving the current situation, that being that credit from an investment standpoint is preferred to traditional investments that result in improvement in middle class living standards, is unique and thoughtful, although lacking in detail.

In this lively history of consumer debt in America, economic historian Louis Hyman demonstrates that today's

problems are not as new as we think. Borrow examines how the rise of consumer borrowing—virtually unknown before the twentieth century—has altered our culture and economy. Starting in the years before the Great Depression, increased access to money raised living standards but also introduced unforeseen risks. As lending grew more and more profitable, it displaced funds available for business borrowing, setting our economy on an unsustainable course. Told through the vivid stories of individuals and institutions affected by these changes, Borrow charts the collision of commerce and culture in twentieth-century America, giving an historical perspective on what is new—and what is not—in today's economic turmoil. A Paperback Original

From Booklist We learn from historian Hyman that when debt became a commodity to be bought and sold, it enabled the growth of the twentieth-century economy. Americans increasingly relied on expected future income from wages rather than cash to make consumer purchases. The author traces consumer debt beginning in the 1910s and through the 1920s, when personal loans became legal and mortgages were in demand. After WWII, consumption continued to be financed by debt, particularly television sets. Returning veterans could borrow easily through the VA loan program, and retailers developed revolving-credit programs. As the century progressed, we learn about the rise of discount stores over department stores, loans financed by issuing corporate debt, securitization, and credit cards. Hyman indicates that although policymakers declare the worst of our current financial crisis ended in mid-2009, important causes continue, and he concludes, "Debt, along with every other aspect of capitalism, is something that we have created and have the capacity to master." This is an excellent book. --Mary Whaley "An entertaining romp through the history and culture of credit. . . . It's such a great book." —The Wall Street Journal "Hyman has written a breezy book that goes deeper. . . . an accessible and well-written primer on a vast history, with plenty of cautionary tales for those who would fix what's broken in our financial system, as well as what isn't." —The Philadelphia Inquirer "The story of how Americans learned to love debt—and became dangerously addicted to it. Anyone who has ever wondered how we got into the mess we are now in must read this powerful book." —Lizabeth Cohen, author of *A Consumer's Republic* "Stocked with colorful personalities and trenchant insights, Hyman's lucid, entertaining, and timely treatise illuminates the murky processes by which debt became the troubled center of economic life." —Publishers Weekly "An evenhanded account aimed at the general reader baffled by today's economic crisis. From Model-Ts to TVs to McMansions, Hyman uncovers the credit story behind all the glittering prizes and offers a prescription to prevent the American Dream from turning into the American Nightmare." —Kirkus "Clearly written, carefully researched. . . . Readers will come to understand that credit difficulties are not new. . . . [Borrow] offers solutions to this seemingly intractable problem." —Library Journal "Borrow" is the sort of mind-blower of a book it's likely to force you to rethink and reconsider how you see things for a bit. . . . Hyman's hugely compelling book will ultimately hip you to the fact that the scare-tactic stories about debt and everything else are infinitely, infinitely more complicated than we typically consider. . . . One reads Borrow with a sense of whiplash. . . . Maybe the most necessary nonfiction reading at present." —The Kenyon "This comprehensible yet extremely readable history of American attitudes toward credit and debt is fascinating, especially as it stresses how our attitudes toward borrowing have always been undercut by our economy's relentless need to grow. This is a must-read primer on the American way of buying for anyone who resists economic texts." —Sacramento News "A fresh perspective on the epic changes in American culture wrought by consumer finance. . . . Original reporting. . . . Hyman has researched his subject deeply, and his diligence shows." —The New Republic "The author traces consumer debt beginning in the 1910s and through the 1920s, when personal loans became legal and mortgages were in demand. After WWII, consumption continued to be financed by debt, particularly television sets. . . . As the century progressed, we learn about the rise of discount stores over department stores, loans financed by issuing corporate debt, securitization, and credit cards. Hyman indicates that although policymakers declare the worst of our current financial crisis ended in mid-2009, important causes continue, and he concludes, "Debt, along with every other aspect of capitalism, is something that we have created and have the capacity to master." This is an excellent book." —Booklist "Informative and entertaining. . . . Hyman not only traces how consumer debt reached this point but also what might be done to reverse the mess." —BookLoons.com "Informed and articulate. . . . An essential story of the American economy. . . . [Hyman] comprehensively examines the role of debt in shaping the American economy, as well as the rise and recent precipitous decline of the nation's middle class. . . . A critical academic investigation into an obscure arena of American historiography that has largely been neglected. But it is also an accessible story concerning a timely economic reality of today's American experience." —Newark Star-Ledger "Insightful and brilliant. . . . A fair and balanced historical appraisal of the role of credit in the American economy. . . . This book is a must read for anyone who cares about the state of the economy, and the role that debt plays in both its growth and its economic depressions." —Wayne Hurlburt, *BlogBusinessWorld* About the Author Louis Hyman attended Columbia University, where he received a BA in history and mathematics. A former Fulbright scholar and a consultant at McKinsey Co., he received his PhD in American

history in 2007 from Harvard University. He is currently an assistant professor in Cornell University's School of Industrial and Labor Relations, where he teaches history.