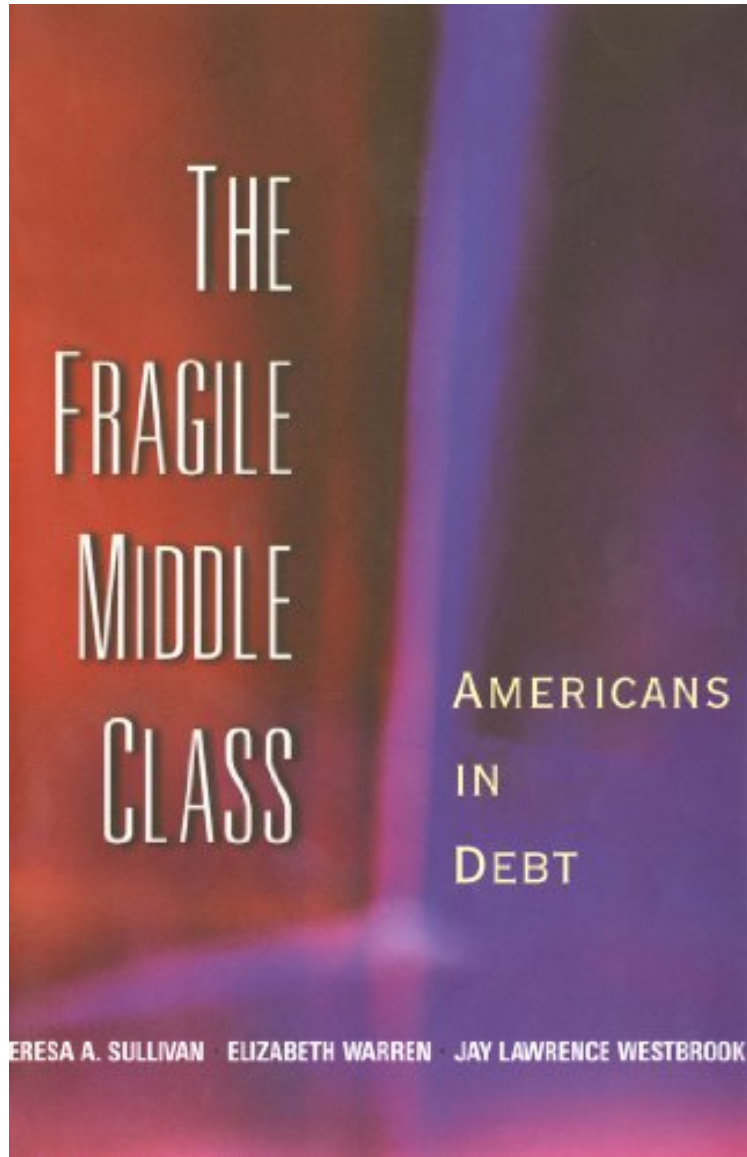


(Free) The Fragile Middle Class: Americans in Debt

The Fragile Middle Class: Americans in Debt

Teresa A. Sullivan, Elizabeth Warren, Jay Lawrence Westbrook
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Teresa A. Sullivan, Elizabeth Warren, Jay Lawrence Westbrook : The Fragile Middle Class: Americans in Debt before purchasing it in order to gage whether or not it would be worth my time, and all praised The Fragile Middle Class: Americans in Debt:

5 of 5 people found the following review helpful. Further Insight Into The Demography of BankruptcyBy Gregory McMahanIn some ways, this is the authors' companion book to their excellent book, As We Forgive Our Debtors. The Fragile Middle Class is less academic than As We Forgive Our Debtors and focuses more on the people who fall into

bankruptcy and less on the economics and supporting cast of players (creditors and legal system) that comprise the U.S. bankruptcy system. In this book, the authors could provide reasons for why some individuals find themselves at the mercy of the bankruptcy court. For the time-pressed, Chapter One, *Americans in Crisis*, aptly summarizes the contents of the book. The book provides the reader with a comprehensive definition of what it means to be 'middle-class'. It also provides the key socio-economic reasons underlying bankruptcy. These are: income disturbances (which includes unemployment and under-employment), credit cards, illness, divorce and housing. One chapter each is devoted to these reasons. Throughout, the stated goal of the authors was to tell the reader what the portrait of the bankrupt can tell us about the rest of society. The authors re-affirm the old refrain that economic insecurity has greatly increased in American society. Their work strongly indicates that by far the greatest culprit leading to bankruptcy is job loss, followed by divorce and/or illness. In many cases, as the authors demonstrate, more than one culprit may be at work in a particular bankruptcy. Perhaps the most interesting thing I noted in reading the book was the juicy little tidbit on credit cards on page 128. While the authors readily admit that mere possession of a credit card will not lead to bankruptcy, they do insist that the level of such revolving debt (for which they define the tipping point toward bankruptcy as short-term debt exceeding one and a half times gross annual income) is critical, and take care to point out that the debts can keep on compounding (at twenty-four percent interest, compounded monthly) long after the cardholder has shredded his or her piece of plastic. In sum, this book was a very readable introduction to bankruptcy among the middle class. The authors have once again cranked out another excellent study.

4 of 4 people found the following review helpful. Elizabeth Warren defends the Middle Class. By Abacus Borrower's default on various credits and bankruptcy are pretty much Middle Class phenomenon (more than lower-income class). This makes sense as it takes a middle class income to get credit cards, auto loans, and mortgages. The truly poor don't have enough income to get credit and go bankrupt. The Legislature has often treated this Middle Class phenomenon with laws to strengthen creditors' rights such as the Bankruptcy Reform Act of 2005. The latter made it more challenging for consumers to file for bankruptcy. It made it especially challenging to file Chapter 7 (complete discharge of debt); and, often rerouted debtors towards Chapter 13 associated with debt repayment plans. Elizabeth Warren, a Harvard lawyer, has defended the Middle Class. She treats it not as an irresponsible dead beat; but instead as a victim of dubious creditors practices. As a result of her dynamic advocacy, the Legislature passed the Credit Card Act of 2009 to restrict credit card issuers abusive practices. And, she also implemented the Consumer Financial Protection Bureau (CFPB) to be a vigilant watch dog of nefarious financial service practices and improve the transparency of any consumer financial transaction. Warren has conducted extensive research with numerous social scientist on related subjects: bankruptcy, consumer finance, Middle Class vulnerability. And, "The Fragile Middle Class" is one of the cornerstones of her research compilation. This data driven book covers two extensive studies: Consumer Bankruptcy Project Phase I associated with 1981 data and Consumer Bankruptcy Project Phase II associated with 1991 data. Additionally, the book also covers many related time series data from 1962 to 1996. From her collective researches compiled within this book, Warren derives numerous interesting insights. First, the data confirms that bankruptcy is a Middle Class phenomenon. The bankrupt filers are not so different than the general population in terms of income, education, assets, etc... And, she supports that with extensive graphs comparing the distribution of each variable. She also uncovers that bankruptcy rates have skyrocketed from 1962 to 1996. This trend is associated with an equivalent skyrocketing of consumer debt level burden measured by debt to income ratios, and a similar rise in foreclosure rates. That is where Warren advanced that credit practices in issuing credit cards and mortgages were occasionally egregious and taking advantages of naive borrowers. Warren's findings (consumer debt unsustainable rise, rising foreclosure) were over 20 years prior to the recent financial crisis. In other words, from her research she could see that a perfect storm was brewing. And, she did express alarming concerns within a related documentary called *Maxed Out* that covered the abuse of the credit card industry. She also addressed this issue in *Inside Job*. In addition to abusive creditors practices, Warren discovered that medical issues were a major reason people filed for bankruptcy. Uncovered medical bills related to sometimes catastrophic medical events would cause the patient to pay the first few bills on his credit cards, and the second set on a home equity line. Pretty soon, the same person defaults on everything and loses a house to foreclosure, and has to file for bankruptcy. So, medical bills were the engine of credit destruction. Within Michael Moore's bonus features of *Sicko* (Special Edition) Warren goes on a 6 minute interview indicating how medical related bankruptcies not only affects the uninsured, it affects the insured as well! In 2007, she conducted with other social scientists an updated study on medical related bankruptcies. She found out that 75% had medical insurance! This same study concludes: "Medical impoverishment... is almost unheard of in wealthy countries other than the US. The US health care financing system is broken, and not only for the poor and uninsured. Middle-class families frequently collapse under the strain of a health care system that treats physical wounds, but often inflicts fiscal ones." In view of the above, only people ignorant of how bad our current health care system is could defend it.

0 of 1 people found the following review helpful. I recommend this one. By Melina Burton I had to read this book for a class. I don't like to read but I think this book certainly sheds a lot of light on the financial problems our society is facing right now. It's a must read.

Since 1997, the number of American families filing for federal bankruptcy annually has exceeded one million. By most measures, those who file are members of the middle class - a group that has long provided stability and vitality for the American economic system. This raises the troubling question: why, during the most remarkable period of prosperity in our history, are unprecedented numbers of Americans encountering such serious financial trouble? The authors of this important book analyse court records and demographic data on thousands of bankruptcy cases, as well as debtors' own poignant accounts of the reasons for their bankruptcies. For many middle-class Americans, the findings show, financial stability is fragile - almost any setback can be disastrous. The erosion of job stability, divorce and family instability, the visible and invisible costs of medical care, the burden of home ownership, and the staggering weight of consumer debt financed with plastic combine to threaten the financial security of growing numbers of middle-class families. The authors view the bankruptcy process in the light of changing cultural and economic factors and consider what this may signify for the future of a large, secure, and dynamic middle class.

From Publishers Weekly A sizable portion of the U.S. middle class--far more than pundits acknowledge--teeters on the brink of economic failure, according to this fascinating, alarming study. Noting that personal bankruptcies have hit record levels (more than one million American households file for them each year), the authors (*As We Forgive Our Debtors*) zero in on middle-class vulnerability through a detailed survey of 2,452 people across the nation who filed for bankruptcy during the 1990s. Included in their sample are teachers, accountants, computer engineers, sales clerks, executives, entrepreneurs, doctors and dentists--solidly middle-class folk who fell into financial disaster. Employment problems (layoffs, "skidding" to a lower-paying job, part-time work) were the biggest factor, as was the overuse of credit cards. Respondents also cited unpayable medical bills, loss of income from illness or accident, the financial burden on single-adult households that result from divorce and home buyers purchasing more than they could afford. Illustrated with tables and graphs, this crisply written report is occasionally dry, but many readers will identify with the down-to-earth case histories. A good number of the profiled personal-bankruptcy filers are full of regret, self-blame and humiliation, contradicting the popular perception that filing is an easy way out of one's economic woes. While the authors offer no comprehensive solutions to this societal malaise, their chilling diagnosis of middle-class affliction demonstrates that we all may be only a job loss, medical problem or credit card indulgence away from the downward spiral leading to bankruptcy. (May) Copyright 2000 Reed Business Information, Inc. From Library Journal Following up the authors' 1989 *As We Forgive Our Debtors: Bankruptcy and Consumer Credit in America*, winner of the American Bar Association Silver Gavel Award, this book considers the middle class in terms of bankruptcy. The authors seek to discover why so many families are in economic trouble. They note that while Americans during the 1990s lived in a time of prolonged economic prosperity, there was, paradoxically, a 340 percent increase in the rate of personal economic failure between 1981 and 1999. Using a 1991 study of 16 federal bankruptcy districts in five states, the authors find that, like "proverbial canaries in the mine shaft," the bankruptcies highlight five key stresses that America's middle class experiences today: unemployment, credit card and personal debt, sickness and injury, family problems, and the high cost of home ownership. Clear in purpose, this important work is highly recommended for academic and larger public libraries.-Norman B. Hutcherson, Kern Cty. Lib., Bakersfield, CA Copyright 2000 Reed Business Information, Inc. "The authors paint a remarkable portrait of Americans in debt and force us to discard our stereotypes of debtors. They further our understanding of both individuals in economic distress and the economic system in which we all struggle to manage." Karen Gross, New York Law School