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RESEARCH ARTICLE

A History of Credit in the Unites States: The Expansion of Consumer Credit in the Sixties

Enrico Beltramini*

Notre Dame de Namur University.

*Corresponding Author-Email: ***ebeltramini@ndnu.edu***

"Neither a Borrower Nor a Lender be" Hamlet, Act 1, Scene 3

Abstract

While the development of consumer credit in the US has been often related to the new disposition towards consumption that in the 1960s effectively undermined historic Protestant guilt about debt, and replaced it with a post-scarcity attitude, it has also to do with the civil rights movement. An improbable convergence of interests among government, civil rights activists, and lenders, worked to reassemble access to credit, and ultimately to change credit policies, lending practices, and discriminating laws based upon race, gender, and age, and finally, to provide every American citizen with the right to borrow. This result – debt as an economic right -- was based on the principle of justice and a premise of solvency; the illusion of permanent economic growth and a long tradition of virtuous debtors made this premise reasonable. When the right to access credit was granted, the economic cycle had already changed, and American capitalism entered its post-affluent era. Consequently, the premise of solvency evaporated into debt, and rather than accessing the American Dream, American families entered a financial nightmare, absorbing more and more liabilities and financial shocks.

Keywords: *Consumer credit, United States, Civil rights, Economic history.*

Introduction

In light of the aftermath of the financial market crises (2007-2012), it is particularly intriguing to address the history of the consumer credit, and how becoming a debtor has been perceived as a right in American society [1]. Before consumer credit became entangled with predatory lending practices and deregulatory government policies-as the public opinion has come to believe in recent years-it was established as a civil right. The Civil Rights Act of 1968, also known as the Fair House Act, provided for equal housing opportunities regardless of race, creed, or national origin (sex was added to the list of illegal bases of discrimination in 1974, physical handicap and familial status were added in 1988) [2]. The 1968 Act also provided for the equal opportunity to finance housing. Sadly, it took the assassination of Martin Luther King Jr. and the outpouring of urban unrest that followed to secure the final votes needed to pass this historic legislation, and suppress discrimination in accessing credit. The 1974 Equal Credit Opportunity Act granted equal access to short-term non-installment debt, including charge accounts, debts for professional services, and credit cards.

What is now considered a typical, if not dangerous, expression of individual gratification and economic irresponsibility, was only five decades ago pursued as a form of economic justice – the right for all Americans to access credit and consequently participate in the unlimited possibilities of the American Dream. What it is currently stigmatized, as there is no legal right to live above one's means, was once a civil right – the right to borrow money and become a fully integrated citizen of the consumer society.

This article addresses both the historical context and the social forces that created the right to borrow, and frames the story of financial rights as a story of the ultimate triumph of liberal ideals after decades of gradual progress. The work ethic in America continued its dominance for more than a century, when a new ideal of a higher standard of living -- supported by spending, consumption, and debt -- undercut the older virtue of thrift. Throughout the twentieth century, advertising, culture, and credit cards have eroded the practice of frugality, while government has established debt as an economic right with the enthusiastic acceptance of the borrowers, while lenders pragmatically took advantage of the situation. The new credit society became part of a much larger process of "financialization" of American capitalism. The recent financial crisis has underscored the centrality of consumer credit in American society, the problematic American patterns of borrowing and consumption, and the unsustainable debt-based economy and debt-financed lifestyles.

This article explores the history of consumer credit in the United States, and focuses on the period after World War II, when consumer credit became a civil right. It investigates the cultural evolution of consumer credit in the U.S., the rise in consumer indebtedness as a right, and the alarming surge in personal liabilities. It also addresses the impact of public policy on consumer credit, focusing on questions regarding consumer access to credit (mortgage markets and patterns of discrimination), excluding other issues such as consumer protection through mandatory disclosure of information (Truth-in-Lending regulations), and the general state of financial literacy and protection of debtor. It examines the debt industry, especially savings and loan industry and credit card providers, but not related issues such as technological innovations in risk management (through statistical risk scoring models), marketing (through use of personal information for targeted marketing) and finance (through securitization of consumer loans), which have enlarged the availability of credit products.

The suggestion that the words "credit" and "debt" should be used as synonyms--Daniel Bell speaks of "the trick … to avoid the word "debt" and to emphasize the word "credit"- will be adopted [3]. Moreover, the distinction between consumer credit as mortgage debt-nonfarm long-term mortgage debt that is seen as an investment rather than as purely consumption – and short-term non-installment debt, including charge accounts, debts for professional services, and credit cards, will be maintained.

Consumerism

During the Progressive era, a monumental change transformed America into a nation of consumers. Cultural historians such as Leach, Cross, and Esperdy, chronicle the beginning of consumerism in the U.S. between approximately 1910 and 1920, and provide carefully researched analysis of the dynamics that cooperated to produce this transformation. These scholars examine what changed in the U.S to convert a society dominated by the work ethic into one ruled by consumer capitalism, facilitating a commitment to consumerism as a cultural value that endures today [4]. Leach investigates how entrepreneurs, manufacturers, bankers, clergymen, and government leaders produced a culture of consumers--as well as the rituals, morality, aesthetics, and institutions that identify the good with the goodies, acquisition with virtue. A cultural historian with a focus on consumption, Cross argues that, by 1930, a distinct consumer society had emerged in the United States, in which the taste, speed, control, and comfort of goods offered new meanings of freedom, thus laying the groundwork for a full-scale ideology of consumer democracy after World War II. From the introduction of Henry Ford's Model T ("so low in price that no man making a good salary will be unable to own one") and the innovations in selling that arrived with the department store (window displays, self service, the installment plan) to the development of new arenas for spending (amusement parks, penny arcades, baseball parks, and dance halls), Americans embraced the new culture of commercialism. Consumerism was part of the Roosevelt Administration and the New Deal, as the "Modernization Credit Plan" helped transform urban business districts and small-town commercial strips across 1930s America, helping the development of American cities during the Great Depression and beyond. In *Modernizing Main Street*, Gabrielle Esperdy uncovers the cultural history of the hundreds of thousands of modernized storefronts that resulted from the little-known federal provision that made billions of dollars available to shop owners who wanted to update their facades, stimulating public consumption, extending the New Deal's influence, and reviving a stagnant construction industry.

During the golden era of modern American capitalism (1946-1972) and the unprecedented prosperity of the decades following World War II, consumerism fueled extraordinary economic growth and acted as an integrating system in face of an enormous influx of immigrants from dozens of countries, bringing all these people together. This new consumerism also divided Americans, as it was the object of positive or critical works-such as John Kenneth Galbraith's *The Affluent Society*, Rachel Carson's *Silent Spring*, and Ralph Nader's *Unsafe at Any Speed*-which were enormously influential in framing popular discussion on fundamental topics such as the relationship between morality and prosperity, the challenges the spread of wealth posed to the national character, and the extend of the right to consume [5]. In 1976, only three years before President Jimmy Carter's "malaise" speech, sociologist Daniel Bell argued that the rise of a consumer culture from the 1920s to the 1960s had effectively undermined the historic Protestant sanctification of work and replaced it with a hedonistic pursuit of pleasure [6]. Because pleasure is defined in individualistic terms, the pursuit of pleasure results in an erosion of the moral bonds that have historically held American society together [7].

Historian Daniel Horowitz, whose work focuses on the history of consumer culture in the United States, has carefully mapped and documented a broad range of critical and sympathetic intellectual voices addressing consumer culture in a series of books [8]. In *The Morality of Spending: Attitudes Toward the Consumer Society in America 1875-1940,* Horowitz traces the sources of the cultural criticism against comfort, affluence, and luxury in American society. He places the origins of this ambivalent mixture of pleasure and anxiety about the impact of ease on the commitment to hard work, savings, and self-control, which he investigates in depth in his later work that addresses the long era of transformation of American society from the end of Reconstruction to the beginning of the World War II. In *Anxieties of Affluence: Critiques of American Consumer Culture, 1939-1979, Horowitz tried to* explain why affluence has caused so much anxiety in America and examines that phenomenon from the end of the Depression until 1979. In *Consuming Pleasures* he describes how American intellectuals, who had for 150 years worried about the deleterious effects of affluence, and as late as the 1930s, continued to reject any serious. Analytical discussion or appreciation of popular culture, which they viewed as morally questionable. However, this view changed, and moved from condemnation to appreciation in the 1950s.

The ultimate victory of consumerism in America over traditional Victorian values was not a foregone conclusion, and there was persistent tension between a commitment to self-restraint and the pursuit of personal satisfaction through the acquisition of commercial goods and consumerism. The United States has traditionally been the home of aggressive and thoughtful criticism of consumption, including Puritanism, Prohibition, the simplicity movement, the '60s hippies, Martin Luther King Jr.'s *Where Do We Go from Here?*, and the consumer rights movement. However, the Great Depression, the counterculture of the 1960s, the Black Church, and the inflation of the 1970s didn't stop a movement fueled by advertisers and consumer advocates as well as corporations and politicians that was designed to make Americans more materialistic [9]. A sort of "Trojan horse" was a uniform, patriotic understanding of general welfare, mass consumption, and the American Dream, in which mass consumption would provide jobs, purchasing power, and investment dollars, while also allowing Americans to live better than ever before, participate in political decision-making on an equal footing with their similarly prospering neighbors, and to exercise their cherished freedoms by making independent choices in markets and politics [10].

According to historian Lizabeth Cohen, here lies the connection between an economic feature, consumption, and a political right, citizenship, the latter being redefined in the context of the former in postwar America. Cohen assumes what she calls a “consumer republic” to be the belief that to maintain American prosperity the good citizen must also be the good consumer. It is the notion of the Consumer as Purchaser, the Keynesian consumer who stimulates the economy by his/her purchases. However, the equation between consumption and citizenship also works the other way, in which the Consumer as "Citizen Consumer" uses the power of consumption to purchase political influence and effect social change. Thus, at the core of the pervasive consumer mentality lay a political equivalence-citizens are consumers and consumers are citizens and ultimately an egalitarian spirit, the notion that mass consumption can concretely work as a social tool for successfully creating a more egalitarian and democratic American society [11].

At least two decades before the conservative upsurge of the 1980s and '90s would create its own brand of self-aggrandizement by promoting unrestricted markets, something was already happening in the fabric of American society. The shift in the notion of consumption from private immorality to public virtue modified the view that consumption was immoral as long as it was driven by individualized fulfillment and desire for pleasure. Consumption came to be associated with the belief in the redemptive value of citizenship, it appeared to be moral. The change commenced the moment the “Consumer the Purchaser,” the good citizen, became identical in the American imagination with the “Citizen Consumer,” the good consumer. In that moment, a new concept of democracy, a two-faced Janus of political right and economic power, and ultimately of government, began to take shape. The old notion of government, the idea inherited from twenty generations of ancestors, was the government of the Puritans, politicians are content to build a society in which men and women accumulate their modest fortunes and live according to their means. The new notion of government was the notion of expanding democracy and consumption at the same time, raising the American standard of living without considering if consumption belongs to the category of the necessary or the superfluous. This new notion created the revolutionary idea that citizens have the right to purchase, and the government has the duty to guarantee that right, making an extension of consumer credit, inevitable.

Credit as a Right

An exploration of the history of the changing attitudes of borrowers and how they gained universal access to consumer credit requires a full investigation of all three of the elements of the debt equation: borrowing culture, credit policies, and lending practices.

Borrowing Culture

Although the industrialization of consumer credit as a system in the 1920s was an accepted reality, personal debt had already become a living practice and a cultural fact of American life since the Revolution. In particular, the invention of installment selling, as we know it today, was created by the Singer Sewing Machine Company, which started selling its product in this fashion in 1856, making discrimination in borrowing based on gender, race, and class (women, black people, and slaves couldn’t access credit), among the results of this process [12]. The notion that frugality was the best means for promoting the general welfare made the history of debt until the late nineteenth century intrinsically entangled with the history of ethics. With the Protestant work ethic, the notion that deferring immediate pleasures to accumulate wealth (thrift) for increased future value was considered virtuous and was a means for supporting the moral fiber of the country [13]. Accordingly, American society was operating on the principle of saving, not consuming and spending, with cautious access to credit, which was traditionally matched with frugality and hard work. The virtuous debtor-the counterpart of the virtuous saver--who manages his creditor's perceptions [again, at that time women could not access credit], was seen busily banging, as Max Weber pointed out in *The Protestant Ethic and the Spirit of Capitalism*;

The sound of your hammer at 5 in the morning, or 8 at night, heard by a creditor, makes him easy 6 months longer; but if he sees you at a billiard-table, or hears your voice at a tavern, when you should be at work, he sends for his money the next day, demands it, before he can receive it, in a lump.

As if to reinforce his message, Weber added, "It shows, besides, that you are mindful of what you owe, it makes you appear a careful as well as an honest man, and that still increases your credit [14]."

The old-fashioned Protestant ethics maintained a direct and tangible connection between credit and frugality. Borrowing money was synonymous with self-restraint, not profligacy. Fugal people were the only ones entitled to receive credit. Frugality meant solvency, the ability to meet one's own obligations; however, it also meant commitment, the posture to put him/her in a position to meet his/her obligations. Frugality was not only the concrete, practical way for the debtor to increase his solvency, but also the visible expression of an ethical principle, honesty, and commitment to repay the debt [15].

The advent of the automobile made installment credit socially acceptable: General Motors (GM) embraced debt and as a consequence it was able to expand demand for its cars. The rise of manufacturing meant steady wages, and workers wanted consumer goods, from radios to electrical goods. This contributed to the rise of installment payments as a standard practice in the 1920s. Outstanding installment debt was still a marginal $2.5 billion in 1945. The situation changed rapidly after 1945withoutstanding installment debt climbing to $29 billion in 1955, and standing at over $80 billion a decade later [16]. In the meanwhile, the changing residency patterns of Americans, the development of suburbs, and the fantastic growth of home ownership reflected in government-backed low interest loans made it possible for vast numbers of families to realize their great ambition of home ownership. This will become exemplified, ultimately, in the growth of outstanding mortgage debt. Contemporary perception of installment credit changed from being somewhat disreputable to being viewed favorably [17]. Bell correctly foresaw the cultural shift that occurred later in American society; the logic that emerged with the universal access to credit. The rise of consumer culture inevitably affected the traditional Protestant value of austerity, replacing it with more vigorous participation in the affluent society. More importantly, it undermined historic guilt about debt that was associated with the Protestant work ethic, and replaced it with a post-scarcity attitude about credit and consumption. Americans became increasingly reliant on entitlements and disinclined to save or make the productive investments that they needed for supporting their families. Another sociologist, David Caplovitz, focused instead on the changing occupational structure that accompanied post-World War II economic growth, and the emerging middle class of salaried employees, who relied on a reasonable likelihood of job security, and on the assumption of a steady and even rising income. They replaced the earlier middle class of entrepreneurs, who operated in a world of risk, and on the principle that production of wealth precedes consumption.

A steady income is essential to the development of a credit society, for buying on time means acquiring possessions with tomorrow's income. In the credit society, the traditional pattern of saving first and then spending is reversed; the purchase is made and then "saving" in the form of monthly payments occurs. For the credit transaction to take place, both the debtor and the creditor must be assured that the debtor's income is secure. Thus it may be hypothesized that the bureaucratization of the world of work is a structural prerequisite for the credit society [18].

Just as the growth of bureaucracy facilitated the development of consumer credit, it also helped the expansion of the practices of mercantile credit based on "trust" and "transparency," as it will be addressed later.

However, this tells us only a part of the story. It leaves out that at the foundation of the credit society there was extraordinary economic growth, as America rocketed through an amazing quarter century long boom that peaked in the 1960s. It was generally understood that there was no longer any potential incompatibility for the development of the credit society as economic prosperity guaranteed solvency.

The system of mortgaging future income to satisfy today's wants functions relatively smoothly in a society of rising income. Anathema to the credit society are downward trends in the economy. If the cash society could ill afford the recessions of the business cycle, this is even more true of the credit society. The vast number of users of consumer credit might be viewed as a new interest group pressing for governmental control of the economy to insure that recessions will not occur [19].

Here lies the perfect alignment among a political coalition centered on salaried employment, an economic goal of perpetual growth, and an increasing enlargement of the credit society that was freed from collateral effects. In other words, economic growth ultimately shaped the notion that access to consumer credit comes with no liability, while providing the tangible evidence that access to prosperity was open to everybody, and fueling the popular concept that economic justice-in terms of equality of opportunity -- was at work in the American democracy.

The idea that consumer credit could be a matter of economic equality seemed to attract general consensus primarily as it could be acknowledged and pursued without causing social tensions or economic costs. In fact, the unlimited economic growth would have taken care of all. *New York Herald Tribune* columnist, Walter Lippermann adopted the metaphor of the pie to describe his understanding of economics in the 1960s: A generation ago it would have been taken for granted that a war on poverty meant taxing money away from the haves and turning it over to the have not's … But in this generation a revolutionary idea has taken hold. The size of the pie can be increased by intention [20].

While Lipperman was not speaking to consumer credit specifically, his article clearly defined the fundamental assumption that lies behind the right of any American citizen to access consumer credit: the transformation of American society from one of “have’s” and “have not’s” to one where the “have not’s” simply disappear. The previous quarter-century of extraordinary economic growth gave hope that the traditional Aristotelian notion of transfer of wealth from the “have’s” to the “have not’s” could simply be replaced with an affluent society of “have’s.” Economic growth would ultimately transform “have not’s” into “have’s” without requiring the transfer of wealth from the “have’s” to the “have not’s”. Ultimately, a society of “have’s” would have provided full access to consumer credit to all American citizens. In a period of unprecedented affluence, there was no objection or obstacle to the identity of American citizenship and credit.

As impalpable as a dream, the old fashioned Protestant idea of borrowing money to build one’s own business gave way to its more liberal counterpart, the very attractive practice of a new middle class borrowing money to live better in a recession-free economy that was in the hands of a managerial liberalism, a government that was acting to sustain economic growth and share dividends of surplus funds to expand democracy and pursue the fulfillment of citizenship. It was a pivotal age, an exceptional time, a unique opportunity for Americans to eradicate, if not all, at least many of the social ills that had affected humanity time immemorial. For the first time in history, America had the resources and the knowledge to manage economic growth in the same way a company managed its business. The revenue generated from government investments would be seen as future dividends and economic growth as the practical tool to procure the funds that would enlarge the size and scope of citizenship without collateral effects or unpopular sacrifices. It was redemption without pain, cost effective social reform, and a fulfillment of moral obligation in the least intrusive way such obligations could be fulfilled. It was a bold claim, and a promise of greatness [21]. What is now considered a major shift in American society-the corrosion of Protestant ethics and Puritan restraints, and the rise of debt as a way to assure personal and instantaneous gratification - started as an idealistic program reminiscent of the New Deal, in the best traditions of liberalism. Access to consumer credit was part of a broader vision of a country being committed to the extension of economic rights to all Americans [22].

Credit Policies and Lending Practices

After World War II, an increase in income and wealth, coupled with the expansion of product quantity and diversity, joined with a sense of a "democratization" of financial services that were made available to a growing percentage of the American population provided new opportunities such as access to consumer credit [23]. Returning veterans could borrow easily through the VA loan program, and retailers developed revolving-credit programs. As the century progressed, changes include the rise of discount stores over department stores, loans financed by issuing corporate debt, securitization, and credit cards [24]. As more people were able to get mortgages and purchase homes, buy consumer goods from retail chains and higher end products such as automobiles from dealers, an affluent society developed. During the rise of this affluent society access to credit was the gateway to consumption, the modern passport to the American Dream. Borrowing money got easier for the ordinary suburbanite and for the middle class in general. Access to credit became a fiat proof of citizenship, a respected status symbol, and an economic advantage, while the persistent belief remained that economic growth and the increasing level of salaries guaranteed solvency. In other words, credit enlarged the consuming possibilities by providing liquidity, while economic prosperity protected borrowers against the risks of solvency. All this being said, consumer credit was still a privilege largely reserved only for white males, with women and minorities excluded from accessing credit.

By the late 1960s, the Great Society combined with consumerism and economic growth had successfully created a context in which consumer credit was seen as a right. The extension of credit to groups previously barred access to it was mostly driven by the Civil Rights movements of the late 1960s and early 1970s, which portrayed consumer credit as a basic right that should be applied as broadly as possible. Inequality in accessing credit was at the time a constraint not only for poor blacks living in ghettos, but also for the black bourgeoisies. Women's groups joined the campaign, as single women had more trouble getting credit than single men did, and once a woman married she had to reapply for credit in her husband's name. Accordingly, the federal government expanded its own vision of the Great Society and planned to extend its programs to include the mortgage industry.

The first form of consumer credit to be addressed was long-term mortgage debt. Martin Luther King, Jr., in 1966, at the Southern Christian Leadership Conference, targeted Chicago's dual housing market and staged open-housing marches in all-white neighborhoods. The dual housing market was one reason white suburbanites turned against their black neighbors, but in reality it was because whites could live anywhere they could afford, but African-Americans and other minorities faced restricted access, especially to the most exclusive suburbs. Although Johnson announced an effort of his Administration to pass the bill in 1966 and serious attempts were reiterated in 1967 and even in early 1968, the prospects for passage of a comprehensive bill to end discrimination in housing and other housing-related activities such as financing were still low [25].

In April 1968, after the assassination of King, Johnson seized the opportunity. He pressed the Congress to pass the bill, which was approved by the Congress on the impetus of King's death and the following wave of civil disturbance which swept the country. The Civil Rights Act of 1968 is the last of the three main pieces of legislation of the civil rights era, after the Civil Rights Act of 1964 and the Voting Act of 1965. Title VIII of the 1968 Act introduced fair housing policies and outlawed the discrimination in the rental or purchase of homes and a broad range of other housing-related transactions, such as advertising, mortgage lending, insurance and zoning [26]. The 1968 Act also provided for the equal opportunity to finance housing. Housing discrimination laws do not mean that lenders must accept all applicants. Objective business criteria are lawful reasons for discriminating among prospective tenants. Bad credit and low or no income are legitimate reasons to not lend, but must be applied universally [27].

Historian of civil rights movement David Chappell argues that housing segregation stand at the center of a wide ramification of effects, including school segregation.

School desegregation had aimed to undo the effects of residential segregation, but white flight from desegregated schools had in fact intensified residential segregation, in a vicious circle that threatened to restore and fortified Jim Crow. Housing was a tough nut to crack, because it was largely a private market of individual transactions [28].

Throughout the mid-1960s, open housing was a critical (and explosive) issue across the urban North, Midwest and West. California passed and then repealed a state-wide fair housing measure. There were dramatic, and sometimes violent, open housing protests in a number of cities, most notably in Chicago in 1966 and Milwaukee in 1967-68. The 200 consecutive nights of marching in Milwaukee, and the massive white resistance it elicited from local whites, attracted national attention and played an important role in passage of the Civil Rights Act of 1968 [29].

Also financing was largely a private market of individual transaction, although federal subsidies already guaranteed mortgage loans for people who were qualified for the 1934 National Housing Act and amendments but not for private credit. The Civil Right Act of 1964 contained language in Title VI that prohibited housing discrimination in any program receiving federal financing assistance. Although Title VI provided that a recipient of funding who was found in violation could be prevented from continuing receipt of governmental assistance, this sanction was rarely used.

The Fair House Act also reorganized Fannie Mae from a mixed ownership corporation to a for-profit, shareholder-owned company. Initially, Fannie Mae operated like a national savings and loan, allowing local banks to charge low interest rates on mortgages for the benefit of the home buyer.

This lead to the development of what is now known as the secondary mortgage market. Within the secondary mortgage market, companies such as Fannie Mae are able to borrow money from foreign investors at low interest rates because of the financial support that they receive from the U.S. Government. It is this ability to borrow at low rates that allows Fannie Mae to provide fixed interest rate mortgages with low down payments to home buyers. Fannie Mae makes a profit from the difference between the interest rates homeowners pay and foreign lenders charge. The reorganization promoted by the Civil Right Act of 1968 removed Fannie Mae from the federal budget, and Fannie Mae began funding its operations through the stock and bond markets. The Act also gave the federal governmnet regulatory authority over Fannie Mae, including authority to require that it devote a reasonable portion of mortgage purchases to low- and moderate-income housing. The 1968 Act also created a new housing finance organization, the Government National Mortgage Association (Ginnie Mae).

Ginnie Mae, which remained a government organization, supports FHA-insured mortgages as well as Veterans Administration (VA) credit backed by the United States government. In 1970, the federal government authorized Fannie Mae to purchase private mortgages, i.e. those not insured by the FHA, VA, or FmHA, and created the Federal Home Loan Mortgage Corporation (FHLMC), colloquially known as Freddie Mac, to compete with Fannie Mae and thus facilitate a more robust and efficient secondary mortgage market.

Ginnie Mae guaranteed the first mortgage pass through security on an approved lender in the 1968, and in 1971 Freddie Mac issued its first mortgage pass through security-called a participation pass-composed primarily of private mortgages. Before that, most home loans originated with banks and credit unions that funded and serviced these mortgages. The only other option available was government-insured mortgages, bought by the government-owned Fannie Mae, which by 1968 became a private shareholder-owned corporation. Throughout the 1970s and 1980s, origination, servicing, and funding activities became separated. Funding activities were transferred to third parties through securitization-the bundling and then trenching of mortgage claims. The volume of securitized home mortgages grew from $28 billion in 1976 to $4.2 trillion in 2003. Sixty-three government sponsored entities, i.e. Fannie Mae and Freddie Mac, played an important role in this process by standardizing mortgage products, pooling mortgages into mortgage-backed securities, and guaranteeing investors against losses.

Equal access to short-term non-installment debt, including charge accounts, debts for professional services, and credit cards, was granted in 1974, during the Nixon administration, through the Equal Credit Opportunity Act. This Act made illegal any discrimination against a loan applicant by any creditor, with respect to any aspect of a credit transaction on the basis of race, religion, national origin, sex, marital status, or age, and had opened up access to credit to anyone who had the capacity to contract. The Equal Credit Opportunity Act (ECOA) of 1974 initially banned credit discrimination based on sex or marital status, but was amended in 1976 to include race. In the same year, an amendment to the Fair Credit Reporting Act of 1970 required credit rating agencies to keep records on married women.

The Home Mortgage Disclosure Act of 1975 allowed the Federal Reserve to track bank mortgage histories in order to detect discriminatory patterns of lending. In 1977, the Community Reinvestment Act banned redlining – discrimination against a particular group of people (usually by race and gender)-and required banks to lend in the communities in which they operated. By the early 1980s, no controversy over the democratization of credit was raised by either the political left or right [30].

While the history of the consumer credit industry has been shaped in large part by government action, attention should be paid also to the lending institutions and their incentives and disincentives which have varied over time. In her authoritative study on the birth of the credit industry, historian of business Rowena Olegario places the origins of lending in the United States in the Progressive era, in the historical period from 1890 to 1920 [31]. However, Olegario is quick to clarify in her Introduction that the credit she is considering is mercantile credit, credit between manufacturers and distributors and among distributors [32]. In dealing with the emergence and maturation of nineteenth- to twentieth-century commercial credit, Olegario emphasizes the immense importance of "trust" (how creditors determined who was deserving of credit) and "transparency" (to make debtors' financial situations more transparent to creditors and credit reporting firms) in establishing creditworthiness in American mercantile trade. For the birth of the *consumer* credit industry, the country had to wait almost half a century, although personal loans became legal in the 1910s, and mortgages were in demand through the 1920s.

In the 1960s and 1970s, new credit policies ultimately would change consumer America for ever due to easier access to credit and the subsidizing of risk by the government. These two trends in turn opened up loan and consumer credit opportunities for women and urban blacks, allowing many groups to enjoy the fruits of full citizenship. Capital began to flow from financial institutions and personal lenders, through third party facilitators and intermediaries to the middle class, suburban and urban families, who finally found themselves in the position to borrow money to purchase a house, or a car, on credit. The extension of credit to new social groups was not only a matter of reaching equality in access to credit; it was also driven by the rational self-interest of the lenders themselves to accumulate a new base of reliable borrowers. Not surprisingly, the rise of debt in America coincided with the expansion of the many agents of the Debt Industry. The Debt Industry is a very articulated industry, which spreads from saving and loans to credit cards, with the latter responsible for America's increasing dependence on short term debt. As economic historian Louis Hyman points out, "Don't ask just why Americans borrowed; ask why our financial institutions lent!" [33] Once marginalized on the fringes of the American economy, which was the province of small-time criminals and struggling merchants, by the end of the 20th century, lending money to millions of American debtors made corporations and banks increasingly profitable.

From its modest start in 1831 in Philadelphia to the glory days of the mid-1950s, the U.S. savings and loan industry – once called "buildings and loans" and composed of nonprofit cooperatives, altruistic associations that sought to give working-class people access to credit – emerged throughout the nineteenth and early twentieth centuries to fill needs not met by existing banks, which concentrated on larger depositors and business lending. New institutional types, including savings and loans, were created among the nation's biggest financial institutions, which included Southern Building, Loan Association of Knoxville (both were gone by 1910), Washington Mutual, and the industry trade association, the U.S. League of Local Buildings and Loan Associations, which was formed in 1892 to represent and popularize the benefits of thrift and home ownership, and to improve the public image of thrifts [34]. Since the late 1880s, the industry has experienced successive periods of expansion and crisis due to conflicting priorities aimed at reaching Chandlerian economies of scale before higher borrowing costs and staff expenses. The industry also tried to maintain a less conservative approach to lending ratios in order to attract business, and to manage the related attempts to regulate the industry. Before and during the Great Depression, the industry became the object of successive policies by Presidents Herbert Hoover and Franklin Roosevelt which were aimed at securing the industry, including the Home Owners Loan Corporation, a New Deal safety net aimed at refinancing existing mortgages. Moreover, the regulations led to functional and geographic segregation within the financial sector and these boundaries remained substantially intact till the 1980s.

What had now been renamed the savings and loan sector emerged in 1945 in a strong position as the largest single provider of home mortgages. In the postwar period, the industry experienced something of a golden age, fueled by a low rate of inflation, high rate of economic growth, job stability, and income certainty, coupled with regulatory policies that provided funds to millions of new home owners. By 1955, the industry provided 36% of real estate mortgages and their deposits were up to 70% of commercial bank savings deposits. Thrifts faced increasing competition from government entities, including the Veterans Administration and FHA, but made use of the secondary mortgage market created by the Federal National Mortgage Association (FNMA). Close ties developed between the sector and their regulators, who became more industry friendly. By 1965, average thrift size had increased to $21 million and the industry held 26% of consumer savings and originated 46% of single-family home mortgages.

Slower economic expansion in the 1960s, marked also by increasing interest rates and inflation, impacted the sector, while the relationship with regulators became less amiable. A major change in 1966 was the extension of Regulation Q interest rate ceilings to thrifts – that theoretically prevented nominal interest rates paid on savings from rising, although did not deter borrowing because real interest rates fell as the rate of inflation increased -- with an allowable rate 0.25% above that of banks.

Consumer activism, racial and social, complicated thrift management problems, and created the context for changes in industry organization and structure, which was still structured geographically.

Soon after 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, in 1951, 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. This coincided with the Equal Credit Opportunity Act, and the advent of computers created an explosion in credit card use — and consumer debt. With anti-discrimination policies in place, and 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, consumer credit moved to the next level and middle-class Americans made use of their right to borrow [35]. However, the dramatic expansion of credit card use can be more accurately placed in the 1980s, when the deregulation of the previous functional and geographic segmentation was under way, and all consumer credit, not just mortgages, was tax deductible until 1986 [36]. The same can be said with regard to banking. commercial banks were first induced to make consumer loans in the 1930s by Title 1 of the Federal Housing Act of 1934, which was followed by the growth of electronic banking, and the enforcement of deregulation and related laws in the 1970s and 1980s which all worked together to create new realities in consumer credit and change the principal lending activities to individuals and businesses in the banking industry [37].

Aftermath

While the effect of deregulation and the expansion of credit card debt, together with the automation of credit procedures, financial innovation, retail competition, and the commoditization of debt -- debt became a commodity to be bought and sold -- are powerful choices that made lending money to facilitate consumption more profitable than lending to invest in expanded production, clearly America's newfound indebtedness resulted primarily from changes in the larger structure of American capitalism that ultimately undermined the credit industry and the resolution of the savings and loan crisis of the 1980s and early 1990s [38]. Here the spotlight is limited in scope and size, focusing on one aspect only, specifically on the process that, through partial socialization of risk and proximate to universal democratization of credit, transformed the output of the right to borrow. In the 1960s and the 1970s, at the beginning of a long economic cycle of instability and uncertainty, the indiscriminate access to credit and the pervasiveness of debt culture became unintended sources of individual, and then social liability.

On one hand, the right to borrow money was, for racial and gender minorities in the United States, a goal to pursue, a battle to fight. It was a gateway to the consumer society. The fight to desegregate consumer credit became an indispensable corollary to other memorable campaigns of the civil rights movement, and profoundly reshaped the conscience of radical movements, while reinventing the concept of the social contract in the United States. Rather than being a source of economic instability, access to credit was a demonstration of economic equality. The right to borrow money was considered a great achievement by policymakers and public opinion. On the other hand, the rise of a consumer culture in the 1960s and 1970s, and the act of dismissing a frugal life were seen not as an ethical fault or a sign of social decay, but rather as the opposite, it was an expression of prosperity, and an important step in making all Americans part of the American Dream. Adherence to a life of austerity was no longer considered necessary thanks to on-going economic growth. The implicit precondition of full access to consumer credit was a booming economy and an affluent society. Economic growth replaced austerity as the ultimate guarantee of solvency. From 1960 to 1966, there was an increase of 8.4 million jobs in the country, and in 1967 Johnson informed the nation that wages were at an historical high [39].

Contemporary unemployment was at a 13-year low, as the unemployment rate dropped from a 1961 average of 7% to an impressive 3.8%, just 6 years later. By 1968, the average growth rate was a solid 4.5%, thanks to the tax cuts proposed by Kennedy and enacted by Johnson. In 1964, the GNP rose to 10 percent. By 1966, disposable personal income had risen 15 percent.

Despite all this progress, the economy started showing signs of a slow down by 1967. The level of economic growth was not enough to sustain the domestic programs envisioned by the Great Society, coupled with the increasing expense of funding a foreign conflict in Vietnam. The Great Society had run out of fuel as the government was running out of funds, which led to a federal deficit that contributed significantly to the rise of inflation and interest rates, while Johnson had declined to increase taxes. This resulted in an increase of 4.5% in consumer prices, making a policy of price stability needed. In 1966, Johnson's administration was forced to divert funds from welfare to warfare, and the decision was made to cut all federal expenditures on infrastructures. It was the signal of retreat from the Great Society.

In 1967, there were clear signals of an economic downturn, "slowdown in capital investment, less residential construction, flat industrial production, disappointing retail sales and lower corporate profits" [40]. Johnson could not help but propose a temporary 6% surcharge on corporate and individual income taxes, as well as the restoration of 7% investment tax credit. These decisions were not only unpopular, but also failed to restore public confidence, reduce inflation, and balance the federal budget. Most distressing was the ultimate consequence of rising inflation, which threatened to undermine the security of the mortgage-paying middle class. It is at this point that the expansion of access to consumer credit entered the picture with the Civil Rights Act of 1968.

In 1969, when Nixon took office, inflation was already 4.7%, at its highest rate since the Korean War. The expenses of the Great Society programs, together with the costs associated with the Vietnam War, caused large budget deficits. There was little unemployment, but interest rates were at their highest in a century. In August 1971, Nixon announced temporary wage and price controls, allowed the dollar to float against other currencies by ending the convertibility of the dollar into gold. As inflation returned, President Nixon re-imposed price controls in June of 1973. The price controls ultimately failed to control inflation. Consequently, American borrowers involved in all these ups and downs of the financial markets were deeply affected by inflation and recession throughout the early 1970s and later. In 1974-the same year the Equal Credit Opportunity Act was enacted – inflation was 11.3%. Of course, inflation at this rate was not a borrower's market, especially since revenues were not guaranteed; unemployment had risen from 3.9% in January to 6.1% by December of the same year. Five years later, unemployment was 8.2 percent [41].

By the mid 1970s, when the right to borrow was achieved, gone were the ambitious plans of unlimited growth and the illusion of post-scarcity. As the economic landscape changed, inevitably the economic effects of access to credit also changed. Rather than a sign of affluence, borrowing money-especially during an up and down inflationary recessionary cycle-built an unintended chain of increasing liabilities and risks. The rise of consumer credit did not simply undermine the historic Protestant values of hard work and austerity as pre-conditions of solvency; it replaced them with the hedonistic pursuit of pleasure. It also-together with the changing employment dynamics and the shift to less stability in the workplace--increased tension in the relationship between solvency and credit, as it will become evident a few decades later. In his book, *The Great Risk Shift*, political scientist Jacob Hacker explained that while the American economy was getting stronger, American families were much more at risk than in the past [42].It was inevitable that increasing access to consumer credit would also increase American families' levels of risk. This was particularly true since their options to improve their liquidity through credit were not matched by a contemporary rise in salaries and financial assets. What started as a remedy for a shortage of liquidity in the following decades became an issue of solvency. At the moment when access to credit tied up American families with constant monthly financial obligations, the economy took a non-linear twist, making any planning and foresight difficult, at best. The economy envisioned by the social engineers behind the Great Society became a concrete economic reality with a decreasing degree of safety, which inevitably exposed the most vulnerable classes to risk they could ill afford.

Several decades later, in the midst of the worst recession since the Great Depression, it is clear that today's problems have their origin in the recent past. Starting in the years after the World War II, increased access to money raised living standards but also introduced unforeseen risks. As lending grew more and more profitable, it displaced funds available for individuals borrowing, setting the course for an unsustainable path that has brought the country to today's economic turmoil. Some people believe that consumer credit has gone too far, and a more virtuous social attitude has to be promoted in order to bring this financial "insanity" (as it has been called by the media) to an end; others point out that the present default is only a partial, temporary accident on the way of a more consumption-driven, economically sound society. President Barack Obama has promoted his *Plan for Economic Growth and Deficit Reduction* and linked it to the fundamental assertion that Americans "can live within their means and invest for the future" [44]. Sociologists go even further, and ask Americans to forget the notion of instantaneous gratification and rediscover the ethical principle that made America the greatest country in the world: deferred gratification. And yet, even during the worst debt crunch of the last half this century, the idea to limit consumer credit is difficult to embrace. Former President Bill Clinton openly suggested the opposite, which would be to cut losses and move on. Specifically, he suggested a system that allows "people whose homes are worth less than the mortgages that (they) can write down (their) mortgages to the value of the (their) home if (they) can make the payment." This would be a boost-according to former President Clinton-"to accelerate the resolution of the home mortgage crisis, which would make businesses more eager to borrow, expand and consumers more willing to spend [44]." What Clinton is suggesting is nothing less than making it legitimate that debts can be withdrawn, bailing out individual households.

The truth is that there is no general agreement on the ultimate source of legitimacy for access to consumer credit, is it solvency or consumption? At the present time, solvency and consumption look disconnected from each other and this creates the conflicting views on the current debt crunch. The conflict between the narrative of the civil right movement that made possible the end of discrimination in consumer credit and opened the option to all Americans to be legitimate debtors, on one hand; and the hard facts of insolvency, on the other, ultimately culminated in the financial market collapse and the emergence of the Great Recession. At this point, the sense of entitlement to create liquidity through debt had become a reality for Americans, who feel guilty for living above their means, or who want to make Wall Street responsible of their misery. In this case, financial professionals played upon the naivety of ordinary Americans, who ultimately became unwitting puppets in the hands of financial robber barons. According to this theory, rather than blame the propensity to borrow money to consume items most Americans cannot afford, it is the financial system, the "financialization" of the American society, which is ultimately responsible for the economic disaster of 2007-2012. Financiers, bankers, brokers, free-market philosophers, hedge fund managers and government officials, all who led the battle against government regulations in the 1980s and 1990s, engineered the fundamental and profound shift in the American economy that culminated in easy access to credit. The financial system engineered, and then executed the ludicrous plan to make credit an offer no ordinary American citizen could refuse.

The Emergency Economic Stabilization Act of 2008 (the Wall Street bailout) is commonly seen as a government bailout of the United States financial system, and was legislated to authorize the United States Secretary of the Treasury to spend up to $700 billion to make capital injections into banks in response to the subprime mortgage crisis. Years later, a series of demonstrations across the nation that began in New York City's financial district, known as Occupy Wall Street, have demonstrated a groundswell of outrage over corporate and financial influence over government, economic inequality, and a bailout that endorsed financial hazard. "Banks got bailed out, we got sold out" was the rallying cry of many of the protestors who are referring to the 2008 Wall Street bailout that allowed banks to enjoy huge profits while average Americans suffered high unemployment and little to no job security. The heart of this Occupy protest movement is the genuine concern over the state of the economy, coupled with an equally genuine resentment over a system that favors the few at the expense of the many.

Conclusion

It has been a long road from the civil rights campaigns of the 1960s pushing for universal access to credit to the recent protests of Occupy Wall Street for debt withdrawal. And yet, at the very core of both movements there is the idea of credit as an economic right. To a certain extent, Occupy Wall Street has mirrored a message articulated by the Obama administration. That message is that the social contract on which debts are based must be reformed. President Obama has clearly stated that this is a system where "a lot of folks who are doing the right thing and are not rewarded, a lot of folks who are not doing the right thing are rewarded"[45]. Vice President Joseph Biden added that the social contract has been violated [46]. These are strong statements to compliment the contributions of the protestors, which should be used to develop a new culture of solidarity that is based on the idea of the equality of all citizens. This equality can be expressed in two ways, both equally valid and perfectly compatible; first, the wealthy have more opportunities to take more risks, and the poor have less, thus a form of more equal and balanced distribution of damage is necessary. Alternatively, equality may be expressed by the equality of government bailouts; that is, if banks get bailed out, so too should average Americans. This is nothing short of a new policy of assuring that debts can be withdrawn. This is a surprising, though not an unthinkable, incarnation of the economic right, to contract debts. Accordingly, Americans can be unaccountable for their debts, and access credit independently from their capacity to repay them.

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