⁂ *Introduction* ⁂

CREDIT, CONSUMER CULTURE, AND THE AMERICAN DREAM

THE AMERICAN dream is a puzzle, both for those who study it and for those who pursue it.

"What would you say is the 'American Dream'?" writes a man to "Ask Marilyn," a syndicated newspaper column featuring riddles, brainteasers, and philosophical conundrums. Who better to ask than the author of "Ask Marilyn"? Listed in the *Guinness Book of World Records* Hall of Fame for "Highest IQ," Marilyn vos Savant slices Gordian knots for a living. "Today's American Dream," she replies, "includes a house in the suburbs with a backyard for the kids to play in, a patio for barbecues, a shady street, bright and obedient children, camping trips, fishing, two family cars, seeing the kids taking part in school and church plays, and online access to the world."[1] A good answer—this is the American dream as most people know it. But it is not the end of the puzzle. In fact, it is just the beginning.

I think of an illustration of the American dream that appeared forty years ago on the cover of the *Saturday Evening Post*. In the picture, a young man and woman sit close together against a tree on a warm summer night. They gaze dreamily at the heavens, where they see images in the night sky: not centaurs and winged horses, not Orion and the Pleiades, but objects more familiar and perhaps more fabulous. They see a split-level ranch house and a swimming pool. They see a son playing ball and a daughter playing the piano. They see a sports car and a family station wagon, a hi-fi stereo set and a television, rugged power tools and helpful home appliances—all the twinkling constellations of the American dream. In the inky sky above them they see an American-made zodiac, and the horoscope to be found there is not for them alone

but for all the *Post*'s readers: "Soon the Good Life will be yours, along with all the good things of your dreams."[2]

It would be hard to say whether the picture is satire or honest sentiment.[3] But the ambiguity is perfect. It mirrors the paradoxical nature of the American dream itself.

The puzzle begins with attempts to define it. The term seems to have originated with historian James Truslow Adams, who wrote in 1931 of "that dream of a land in which life should be better and richer and fuller for every man, according to his ability or achievement." Adams, an idealist of the first rank, insisted the American dream was more than "motor cars and high wages merely." But the fact he had to say this was an indication that even then, in the darkest days of the Great Depression, most Americans defined "better and richer and fuller" primarily in terms of a material plenty.[4] So from the beginning the American dream has had a double nature. On the one hand it alludes to noble ends such as "freedom," "self-fulfillment," and "a better life." On the other hand it commonly refers to a particular means to these ends—a house, a yard, a couple of cars—the things sociologist David Riesman termed "the standard package" of consumer goods and leisure opportunities.[5] The package is so standardized that the *Post*'s picture of it in 1959 is duplicated almost item-by-item forty years later in vos Savant's description, with the addition of a personal computer. The American dream then is both a set of "free" ideals whose worth cannot be measured in market terms, and a wish list of goods with expensive price tags. And here is where the puzzle deepens, at least for me. It is not unusual in human history for means to become confused with ends, and even to replace them. But in the case of the American dream, how strange that the means have always been rather more expensive than the ends.

In the picture on the cover of the *Saturday Evening Post*, the goods on display in the heavens cost tens of thousands of dollars more than any young couple of 1959 could be expected to have. Yet the lovers show no awareness of this fact. On the contrary, they gaze at the sky with patient expectancy, as if they believe the goods are "in their stars" and that someday the whole sky will be theirs. In their confident faces we can see another paradox of

the American dream, a paradox inscribed so deeply in the everydayness of contemporary life it easily goes unremarked: the American dream is both fabulously expensive *and* generally affordable, and this well beyond the ranks of the affluent. How is this possible? How have Americans managed it, to finance the American dream?

The answer is familiar from my own life. Years ago when I was just out of college, dreaming of a good life and without a lot of money, I found the answer in a department store. There my wife and I performed what we recognized at the time to be a rite of passage into American adulthood: we applied for our first credit card. The signing of a few papers allowed us to bring home a suite of furniture costing twice as much money as we could have scraped from our bank account. It was our introduction to consumer credit; also our first experience with debt.

Consumer credit, as economists define it, is "short- and intermediate-term credit extended to individuals through regular business channels, usually to finance the purchase of consumer goods and services or to refinance debts incurred for such purposes."[6] So it is. But consumer credit as most first-time users think about it is explained more lyrically in lines from the musical *Miss Saigon*: "What's that I smell in the air? / The American Dream. / All yours for ten percent down, / The American Dream."[7]

It takes more than a credit card to secure the American dream. Patience and luck and keeping one's nose to the grindstone figure in, too. But since the 1920s the most crucial element in the pursuit of the good life has been access to consumer credit. Consumer credit finances American dreams; by means of it, money is loaned out to car buyers and home furnishers, travelers and vacationers, diners and shoppers, hospital patients and public utilities customers—nowadays to almost anyone for virtually any purpose. Today the idea behind giving credit to consumers seems natural enough, but not so long ago it was an open question whether households deserved the same access to credit as business enterprises. How consumer credit came to be invented and legitimized, how it came to finance American dreams, is the subject of this book.

The Culture of Consumption

The history of the financing of American dreams unfolded as part and parcel of a larger development in American history, a transformation of American culture that consumer credit had no small role in assisting.

"The act of buying something is at the root of our world," wrote the poet Randall Jarrell.[8] In recent years this assertion has proved to be a fertile field for historical research. It is now generally recognized that just as it would be ridiculous to write a history of a medieval European town without attention to its cathedral, so twentieth-century America cannot be understood apart from its department stores and shopping malls. Sites for employment and commerce, but also entertainment, recreation, education, and leisure, shopping centers are, in the words of one historian, the "common denominator of our national life," the symbols of a social and cultural order in which Americans live and move and have their being. Historians sometimes call this way of life the "culture of consumption."[9]

Because consumer credit played a large role in determining the nature of consumer culture and sustaining it over time, it is important to define what I mean by culture and consumption. As I use the concept, "culture" refers to the knowledge, language, values, customs, assumptions, and material objects that are passed from person to person and from one generation to the next, for the purpose of instructing people in how they should live. It may help to think of culture as the "software" of human groups, the codes and rules of behavior that enable people in a society to operate on at least a minimum degree of order, efficiency, and well-being. I am particularly interested in the core ministry of cultural traditions, the way they address the existential questions that confront all of us as we navigate our way through life: Who am I? What is worth doing? How am I to live, and what is the best way to cope with the hardships I must suffer?[10] Cultures, including consumer culture, exist to answer such questions.

Ironically, "consumption" is a term rarely heard among consumers. To economists it means the use of goods and services in the satisfaction of human wants. But scholars studying the history of consumption have enlarged their understanding of the concept to include all the ways human beings interact with goods beyond the point of their physical manufacture. In this broader sense, consumption encompasses not merely the using of goods but also the dreaming, shopping, buying, personalizing, and disposing of commodities as well. Following the work of the French theorist Jean Baudrillard, historians have emphasized that consumption is not primarily the satisfying of material needs, but rather is largely an idealized practice that takes place in people's heads.[11] It is primarily mental and emotional, so that commodity goods become building blocks in the construction of a personal identity, or are used as symbols of communication with other human beings, or as therapeutic remedies for the problems that ail us. Understood this way, the thrill of driving a car very fast is a type of consumption, as is the mixing and matching of garments to achieve a personal style. Consumption is the reading of advertisements in a newspaper. It is the shopping for goods at a mall. It is the hesitation in an automobile showroom, and the moment of sale at the supermarket. It is the feeling of discontent after a new suit has been worn several times. It is also and finally the pile of forgotten shoes in a closet, the recycling of aluminum cans and newspapers, and the swelling of landfills.

Putting these terms together then, the "culture of consumption" is a particular way of living that attempts to make sense of the nexus of selling, buying, using, and disposing of commodities in which most people today conduct their affairs. It defines the "good life" not primarily in terms of satisfying work, or economic independence, or devotion to God, or commitment to the group, or any other ideal honored by people past and present, but rather is dedicated to the proposition that "good living" means having lots of goods—goods bought in the market and made by unknown hands, more goods this year than last year, the "things," as one of its advertisers once promised, "that make life worth living!" Like all

cultures, this one, too, has its priests and authorities, the people William Leach has called "the brokers" of desire—retailers, advertisers, economists, bankers, business boosters, and the like.[12] They provide the indoctrination, lead in the celebrations, and set forth the ideal images of what human beings should be like. In the culture of consumption, the ideal man or woman is the consumer. The ideal consumer is someone who believes the meaning of life is to be found in consumption, so that it is in consumption he or she feels most fully alive and human, as opposed to at work, in prayer, on a mountain, or through acts of service. Thus, the consumer, as Randall Jarrell described him, is "someone who, when he comes to Weimar, knows how to buy a Weimaraner."[13]

Historians disagree about when the culture of consumption first became meaningful for large groups of people.[14] But whether this happened at the turn of the twentieth century or in the eighteenth century or even for some groups as far back as the sixteenth century, wherever the culture of consumption first appeared it was restrained by older, established cultures. In the United States these restraints were moderated by the early twentieth century when consumer culture surpassed republicanism, Victorian producerism, and Protestant Christianity as the foremost cultural authority for American society. Its momentum was fueled by a dynamic form of capitalism whose influence overwhelmed that of church, family, and state, the nonmarket social institutions Adam Smith had counted on to be antidotes to the market's veneration of desire. By the 1950s, the culture brought forth by capitalism had become a power plant within capitalism, supplying it with a surprising and, to some, confounding vitality. Today, the culture of consumption is largely responsible for legitimizing capitalism in the eyes of the world.

Despite the power of consumer culture, older ways of seeing and living have not been totally abandoned, and on its own terms the culture of consumption is profoundly misunderstood if it is regarded as being only about pleasure seeking and living for today. Warren Susman, a pioneer in the study of consumer culture, struck the right chord when he observed: "One of the fundamental conflicts of Twentieth Century America is between two cultures—an

older culture, often loosely labeled Puritan-republican, producer-capitalist culture, and a newly emerging culture of abundance."[15] Unlike many later scholars who presumed the unalloyed triumph of an essentially hedonistic culture of consumption, Susman left open the possibility that the victory of a culture of abundance over older cultures of scarcity might not have been a total victory, that the paling cultures and some of their restraints might have left a mark on the ascending way of life. It is the contention of this book that the history of consumer credit illustrates precisely this phenomenon.

Consumer Credit: A Dark Continent

I first became aware of the tremendous importance of consumer credit in building a culture of consumption a decade ago when I could not get some numbers to fit on a page.

I had come to the library to find out how much personal debt was on the books for every year since records had first been collected. Deep in the library stacks I found the government statistics I wanted. Lugging a dozen or so large volumes to a table, I took out a sheet of paper and began making a graph.

On a horizontal axis I marked off the years since 1928, the year the Federal Reserve began collecting data on consumer debt. On a vertical axis I marked off debt levels in millions of dollars. Opening up a volume of statistics, I came across the first of several surprises: in the 1920s, consumer debt was already measured in *billions* of dollars. Crossing out "millions" on my vertical axis and writing in "billions," I plotted my first point: 1928, $6.5 billion. After that I plotted a point for 1929 ($7.7 billion), and a point for 1930 ($6.9 billion), and so on, working my way steadily through the next thirty years.[16]

Work on the graph went smoothly until I reached 1958. That year consumer debt totaled $45 billion, and suddenly the trend line soared off the top of my graph. To cope with the steeply ascending curve of debt, I taped an additional sheet of paper to the top of my original page, and continued plotting. But when consumer debt

reached $94.8 billion in 1965, once again the trend line shot off the top of the page—and this time it had taken only six years to burst the bounds of my chart! Unsure how to proceed, I scanned the remaining statistics from 1966 to the late 1980s, and with a little figuring determined it would take *sixteen* more pages of paper to complete my graph on its original scale. The figures for 1988 showed the amount of consumer debt at $666 billion, which meant the average American household owed roughly $7,400 for consumer purchases.[17] Here were "billions and billions" of dollars of debt, numbers on the sort of scale that made Carl Sagan famous. Full of questions, I folded up my unfinished graph and headed off to find out what historians had written about America's apparent debt wish.

I presumed they had written quite a lot, because the 1980s had seen an enormous production of scholarly work on the history of American consumption. But to my great surprise I found very little: a chapter by Daniel Boorstin, a scholarly article by Helena Flam, a popular history of the personal finance business by Irving Michelman, and a pile of journalistic reporting written in the exposé mode.[18] It was all very interesting, but the studies I found were too short, too narrow, too old, or too present-oriented to answer fully the questions I was beginning to ask. When did consumer credit first appear, and why then? What types of credit preceded it, competed with it, and were in time eclipsed by it? Who created consumer credit, and what were their intentions? Who were the first consumers to obtain access to credit and use it extensively? How did consumer credit conflict with older ways of thinking about debt and money management? How did it succeed in a seemingly unfriendly environment, a public culture steeped in the Bible ("Owe no man anything") and Shakespeare ("Neither a borrower nor a lender be") and republican common sense ("He who goes a-borrowing goes a-sorrowing")? In short, how did consumer credit become morally permissible so that consumers could both borrow money and feel good about it?

In the decade I have been studying consumer credit, the situation has improved with the publication in 1989 of Martha Olney's *Buy Now, Pay Later*, a pioneering work of economic history examin-

ing credit and advertising in the 1920s.[19] But much remains to be done if historians are to follow up on the insights of Randall Jarrell, who, casting about for just the right metaphor to express how important credit was in American life in the early 1960s, finally found one on the ceiling of the Sistine Chapel. "If anyone wishes to paint the genesis of things in our society," wrote the poet, "he will paint a picture of God holding out to Adam a check-book or credit card or Charge-A-Plate."[20]

Poets are not the only ones who have recognized how immensely important debt and credit have been in the financing of American dreams. Seventy years ago, in their famous "Middletown" study of Muncie, Indiana, Robert and Helen Lynd gave special attention to the local credit economy because they believed the credit networks being formed in the 1920s bore more responsibility for stimulating consumption and conformity than anything else, even national advertising.[21] Agreeing with the Lynds, David Riesman went so far as to describe middle-income Americans as "the debtor class." In his celebrated book, *The Affluent Society,* Riesman's colleague at Harvard, John Kenneth Galbraith, pointed to the rising tide of consumer red ink in the 1950s and wondered, "Can the bill collector be the central figure in the good society?"[22]

Some years later, as if to answer Galbraith's question, Daniel Boorstin allowed "it was hardly an exaggeration to say that the American standard of living was bought on the installment plan." One of the first historians to move the consumption experience to the center of American history, Boorstin was also first to survey the history of consumer credit. In *The Americans: The Democratic Experience*, Boorstin argued that credit buying blurs and dilutes the concept of ownership, thereby contributing to "the thinner life of things" in the modern world. Equally intriguing (and equally difficult to demonstrate), Boorstin maintained that consumer credit helped bring into existence "consumption communities," which, in his optimistic view, were new, democratic communities binding Americans together less by place, creed, or work than by what they dreamed about, bought, and consumed.[23] This notion of a national "fellowship of consumers" was itself a thinner version of a sociological concept introduced in the 1970s—"consumer society." As

Daniel Bell and others described it, the edifice of consumer society rests squarely upon the pillars of three social inventions: mass production, mass marketing, and mass finance, or consumer credit. More recently, George Ritzer, a sociologist specializing in the social worlds of consumption, has gone so far as to picture consumer credit as the "linchpin" holding consumer society together.[24]

No single "linchpin" explains the vitality of modern consumer societies. Nevertheless, the economic and cultural importance of consumer credit is hard to overestimate. Hailed by some as the key to American prosperity, vilified by others as the cause of cultural decline, consumer credit is widely noticed and commented on.

How strange then that while advertising, retailing, and consumer goods such as the automobile have their dozens of historical monographs, consumer credit has almost none at all.[25] Why this is so is worth exploring, not least because the difficulties inherent in researching this topic help explain some of the features and limitations of this book.

To begin with, consumer credit is obviously an economic topic, and it must be admitted that economic history is not everyone's cup of tea. Most historians lack the quantitative skills and theoretical preparation a study of economic topics would seem to require. Surely this has checked many from examining the history of credit; it almost deterred me. Fortunately, publication of Martha Olney's *Buy Now, Pay Later* removed the necessity for investigating questions that require knowledge of formal economic models and sophisticated statistical techniques.

This book, then, is not concerned with the effect of consumer credit on the business cycle, or proving, as Olney has done, that consumer credit shaped the nature of American consumption patterns. I am not interested in determining the exact amounts of money lent over a given time period, or addressing the question of whether consumer credit has helped or hindered the growth of certain industries. In fact I am little interested in any of the questions whose chief usefulness lies in making possible the rational planning required to orchestrate an orderly, progressive growth for the national economy. Instead, as is apparent from the questions men-

tioned earlier, I come to this topic wanting to know more about the cultural significance of consumer credit—particularly what it can tell us about the nature of American consumer culture.

Another reason credit has been the neglected stepchild of consumer culture is that it appears to lack the interesting features of other oft-studied institutions and practices. The business of mass finance is not like the business of advertising, retailing, or industrial design; for one thing, it produces few material artifacts that can be "read" as texts. Small wonder, then, that those wishing to study the culture of consumption have focused their attention on Madison Avenue, fountainhead of the most popular art forms of the twentieth century, and on the retail environments of consumer culture—its grand downtown department stores, its humble roadside eateries, its sprawling suburban shopping malls—and on the commodities themselves: Coca-Cola and Crisco, automobiles and pianos, home furnishings and so on. Each of these potential subjects possesses a lineage of design changes that makes their histories fascinating for scholars, collectors, and general readers alike. In contrast with all this, the material culture of consumer credit seems utterly mundane. On the surface there is little to look at but contracts and receipts, tables and graphs, tiny ads for "money to loan," and second-floor loan offices cluttered with secondhand furniture. Compared with the history of goods, the history of how goods were paid for appears tedious in the extreme.

Lacking an eye-popping material product, the consumer credit industry also seems to lack interesting leadership, at least at first glance. The consumer credit system was not built through the vision and energy of a Henry Ford, a Raymond Loevy, an Earnest Elmo Calkins, or a John Wanamaker. It was built up mostly by shopkeepers, credit managers, reformed loan sharks, and unsung reformers, people who shared the values, as well as the anonymity, of the middle class. The absence of notable personages, not to mention the documentary evidence they tend to produce, is another reason credit has gone unstudied.

But if the test of a subject's historical importance is the amount of controversy it generated, then consumer credit is one of the most

significant subjects in the history of the American twentieth century. Not at all the dry, narrow economic topic it appears to be, the history of consumer credit demonstrates the truth of what Johann Heuzinga, the Dutch cultural historian, once wrote, that "every historical fact opens immediately onto eternity."[26] The tables and graphs charting the rise of consumer credit lead to a wide plain of interesting episodes, topics, and people. Because so little of this territory has been mapped, I found it necessary to combine in this book the perspectives of several kinds of history, from the institutional history of the consumer credit industry to the social history of consumers to the cultural history of debt. If readers expect a book on consumer credit to be a work of pure economic history, I must warn them I found it to be a topic for which no one historical approach would do.

By far the greatest impediment to writing a history of American household finance is one that, at the end of the day, is impossible to overcome completely, and that is the serious dearth of evidence on the subject. It is a vexing problem. To be sure, the credit industry has left a paper trail to follow, found in trade journals, annual reports, public relations pamphlets, and occasional releases of statistical information. But the trail is faint indeed, since most of the credit industry's records are either lost or unavailable. One would expect this to be true for nineteenth-century pawnbrokers and loan sharks, who had little interest in making their records public. But it is no less true for the twentieth-century giants of the personal finance business, none of which were willing to make their archives, if they have them, available to me.

From the borrowers' side, the difficulties in finding evidence are even more severe. Money is an intensely private matter. Private debts are not the sort of thing people like to discuss in public, and often not in private either, not even to themselves in diaries and journals. Today, in an age of public confessions, when a letter writer to an advice columnist can write: "I am a twenty-three-year-old liberated woman who has been on the pill for two years. It's getting pretty expensive and I think my boyfriend should share half the cost, but I don't know him well enough to discuss money with

him,"[27] one gets an idea of the problems involved in trying to learn how people two and three generations ago lived with debt, and what they thought about it. Thus, throughout my research, this book threatened to run aground on the same shoals encountered by Robert Porter, superintendent of the 1890 federal census, when he contemplated taking a survey of the nation's private debts. After preliminary investigations, Porter feared that "the people regarded their debt . . . as a part of their private affairs, and that they would resent any inquiries in regard to it." Disappointed, the superintendent gave up on his original plans.[28] Many were the times I shared Porter's frustration. It is the nature of the subject that consumer debt lends itself to easy opinions and facile claims, not to historical research.

To deal with the scantiness of evidence, I adopted a national approach, which enabled me to cast my nets widely so as to bring in as much documentation as possible. There were other reasons for a national study, too. A broad approach directs attention to what I take to be the most culturally significant aspect of the creation of a consumer credit system: the way in which it focused public debate on the morality of consumption as a way of life. Moreover, with so little written about consumer credit, it seemed necessary to try first for an aerial reconnaissance of sorts, useful for surveying answers to the most basic questions about how this key element in the culture of consumption came to be created. Of course, seizing the advantages of a national approach means having to put up with its disadvantages. Generalizations may not apply to specific cases; regional variations may remain undiscovered; my concentration on national public culture runs the risk of discounting the beliefs, practices, and experiences of those whose lives were not represented there. It is hard to see the details when flying a reconnaissance mission. This book is one of the first to take household financial management seriously as a historical subject. It should not be the last.

As with the mining of precious metals, the lack of a "mother lode" of easily available evidence led me to probe and sift through a number of disparate sources. What I have written in this book

about the rise of consumer credit, the fight for its moral legitimacy, and the ways people thought about new money management principles comes from research examining government records and reports, social surveys and budget studies, trade journals for the credit and banking industries, articles and advertisements in mass-circulation magazines, the Library of Congress's rich collection of financial advice literature of the nineteenth and early twentieth centuries, "realist" novels and short stories that gave primary attention to money matters, corporate and business archives, and, probably more helpful than anything else, the voluminous social science literature on the "credit revolution" published between 1905 and 1940.

This book aims to tell the story of how consumer credit was invented and how it helped to make the culture of consumption what it is today. Sixty years ago, one of consumer credit's first historians, Evans Clark, described his subject as a "dark continent."[29] So it remains today. When I set out to explore the peaks and valleys of consumer credit, all I had to guide me were a set of common presumptions about the history of debt and what that history means. I did not get very far before it became necessary to toss out most of them.

The Most Remarkable Phenomena in Modern History

In the beginning, I thought I would be writing more or less a history of the credit card as yet another chapter in the long story of capitalism's impatience with traditional values. Was not the history of consumer credit the history of credit cards? Were not credit cards to blame for the decline of thrift? Was not the rise of "little easy payments" the story of how hedonism came to be bought and sold on the installment plan? No, I discovered, to all three suppositions. The history of consumer credit turned out to be full of surprises.

When was consumer credit invented? The credit era is often said to have begun in the 1950s, and not without reason.[30] As I saw in

my attempt at graph making, consumer credit swelled tremendously between 1945 and 1958, dwarfing earlier expansions. Moreover, the 1950s witnessed the introduction of credit cards, the most prominent symbol of consumer credit today, if not consumer culture itself.

But consumer credit is older than the credit card, and the postwar expansion of household credit was only possible because the legal, institutional, and moral foundations of consumer credit had already been set in place. Credit for consumer goods is the oldest of all forms of credit, with a history stretching back to antiquity. But the modern system of credit for consumption has its roots in the two decades after 1915. In this period are found the most crucial chapters in the story of how consumer credit came to finance American dreams.

Modern consumer credit was built on two institutional foundations. The first was a particular *method* of credit—the installment plan. In the installment method of finance, money is lent or a good is sold on the condition that the borrower or purchaser repays the loan with fixed payments to be made at regular times over a specified period. Installment credit contrasts markedly with other types of debts. With demand obligations, debts must be repaid when the creditor "calls" the loan. With book credit, loans are repayable at the convenience of the debtor. With single-payment loans, debts run for a stated period and then the borrower faces the daunting obligation of repaying in a single lump sum. None of these methods were as suited to the culture of consumption as the installment method of financing. The installment plan was to consumer credit what the moving assembly line was to the automobile industry. Without it, today's trillion dollar consumer credit industry would be inconceivable.

The other institutional foundation for consumer credit was an array of particular *sources* of credit. Those extending the largest amounts of credit in 1940 were retailers, commercial banks, personal finance companies, and sales finance companies. Like the installment plan, each of these creditors has a history extending well back into the nineteenth century. But it was in the two decades following 1915 that new types of retailers, small-loan lenders, and

"industrial" and commercial bankers adopted new strategies to pursue aggressively the profits to be made in consumer lending markets. Their innovations in lending practices, particularly their adoption of the installment plan, led to enormous changes in the ways people borrowed money.

What were these changes? American household finance was remade after 1915, and numbers tell part of the story. The statistical record of lending and borrowing in the early twentieth century is fragmentary and much of it based on interpolations, making it difficult to offer precise statements about the rising level of consumer debt. But all the numbers point in the same direction—up—at rates steeper than ever before. The best available figures are still those of Raymond Goldsmith. For every year after 1896, Goldsmith found that personal debt increased at rates well ahead of the rate of population growth. But from 1920 to 1929, the volume of consumer debt soared upward 131 percent, from $3.3 billion to $7.6 billion outstanding. The Depression interrupted this rising curve, but by 1937 consumer debt reached its pre-Depression levels and continued rising upward, until it was halted by credit controls during World War II.[31]

This large increase in the volume of credit extended in the 1920s suggests that there were more borrowers than before, or that people were borrowing in larger amounts, or both. To throw light on this question, Martha Olney has used Goldsmith's data to calculate the increase of debt per household from 1900 to 1939. She found that before World War I, households increased their debt burden about four dollars per year. But in the 1920s, the increases averaged fourteen dollars per year. Looking at debt as a percentage of the income that could be used to pay it off, a more telling statistic than simple increases in the amount of debt, Olney found that between 1900 and 1920 debt hovered between 4 and 6 percent of income. But in the 1920s the ratio doubled, rising to almost 10 percent. The most impressive evidence produced by Olney's econometric analysis concerns "real debt"—that is, total debt that is deflated by an index of prices of major durable goods. Between 1900 and 1916 real debt actually declined somewhat. But from

1920 to 1929, real debt per household almost doubled, rising (in 1982 dollars) from $388 to $739. As Olney points out, the burden of debt on indebted households was in many cases much higher than that indicated by aggregate figures, because some households remained debt-free in the 1920s. But clearly many people in the 1920s became consumer debtors for the first time, or added significantly to their debt load.[32]

The driving force behind this huge expansion of debt was, literally, the driver. By 1926 two of every three cars sold in the nation were bought on credit.[33] Credit financing made the automobile the quintessential commodity of the American consumer culture. Credit plans also figured prominently in the selling of radios, refrigerators, vacuum cleaners, fine jewelry, and other expensive consumer durable goods.

Who was lending all this money? In the Gilded Age credit system, household lending and borrowing was generally conducted on the subterranean levels of society. Credit was usually a matter between private individuals. If it was necessary to go outside the circle of family and friends for a loan, the likely options were retailers, pawnbrokers, and illegal moneylenders, or "loan sharks." Because this kind of credit operated mostly in secret, it was easy for later generations to forget it existed.

But in the early twentieth century a new structure of household finance emerged. Erected by enterprising businessmen, progressive reformers, and illegal lenders seeking a legitimate business, the new system included installment sales finance companies (such as the General Motors Finance Company), retail installment lenders (particularly department stores), licensed consumer finance companies (such as the Beneficial Loan Company), and a number of other lenders, such as "industrial" banks, remedial loan societies, credit unions, and personal loan departments of commercial banks. These new institutions brought capital, bureaucracy, and rationalized procedures to the very old business of consumption credit. They contributed to a system of credit Janet Ford aptly describes as "continuous, regular, organized, a series of increasingly impersonal, often visible bureaucratic transactions between

individuals and institutions."[34] This system grew up so quickly in the 1920s that Evans Clark, one of the first to study it, compared it to "a skyscraper that rises from a hole in the ground to fifty stories of towering efficiency between spring and autumn."[35]

In the age of ballyhoo, the new lenders brought the blaze of publicity to what had been formerly a hidden, private matter. Painfully aware of the stigma attached to their forerunners in the consumer lending business—pawnbrokers and loan sharks—the innovators of the credit revolution used advertising and "educational" public relations campaigns to bring lending and borrowing out of the urban shadows. In the process, they made household credit one of the most heavily promoted consumer services of the 1920s. By the end of the decade, phrases such as "Buy Now, Pay Later!" and "Take Advantage of Our Easy Payment Plan!" were standard phrases in the vocabulary of American consumership.

As consumer debt in the American household increased beyond people's experience and memory, attitudes about consumption debt began to change, and not just from shame to acceptance but, particularly among social scientists, away from the idea that debt was a moral issue to begin with. "Credit for consumers," observed Paul Douglass, an editor for the proceedings of one of the many academic conferences held on the subject in the 1930s, "has . . . expanded beyond the stage where it can be condemned or justified. Its existence is an almost universal reality."[36]

A picture of what happened to credit between 1915 and 1940 can now be glimpsed in its outlines. A large number of new credit institutions used new methods of lending to advance higher amounts of money to more and more people in order to finance new types of consumption. In the process, the meaning of "consumptive" debt changed considerably. Less and less a marker of improvidence and poverty, it became in time a badge of middle-class respectability.

The rise of consumer credit inspired passionate debate among those who watched it grow, some with fascination, many with dismay. "Not in years has any business subject stirred up so much controversy," observed a reporter in 1926.[37] So much controversy,

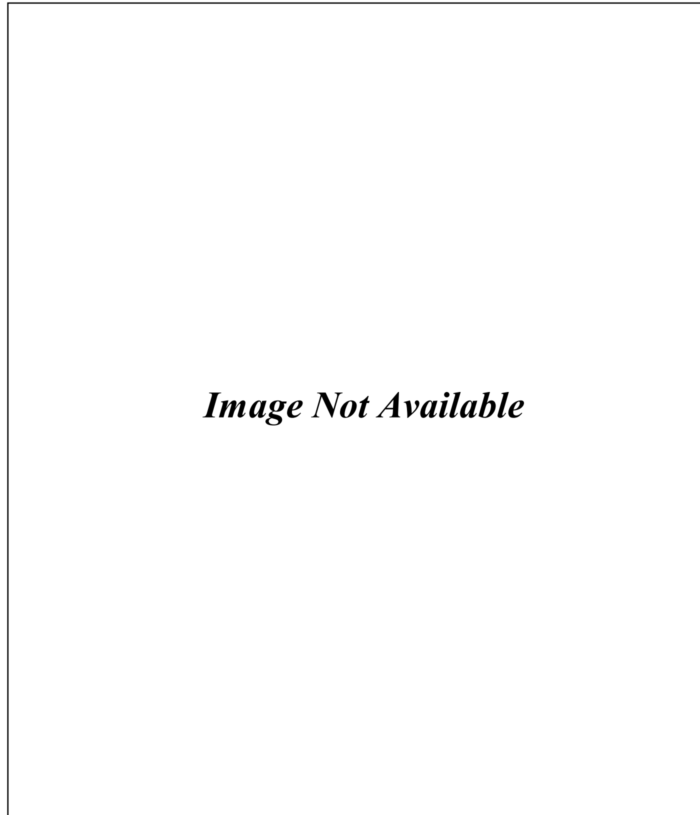

Figure 1. The rise of modern consumer credit inspired abundant commentary in the 1920s. This cartoon, which appeared in *World's Work*, 26 January 1926, accompanied an article on the new popularity of "Living and Dying on Installments."

in fact, that between 1915 and 1930 over fifteen hundred articles on consumer credit appeared in national magazines and scholarly journals.[38] Hollywood brought the perils and pitfalls of consumer debt to the screen, examining the rise of the "debt way of life" in such films as Harry Garson's *Charge It* (1921) and Lloyd Ingraham's *Keeping Up with Lizzie* (1921), an adaptation of Irving Bacheller's best-selling novel about modern thriftlessness. Scholars, too, witnessed the transformations in personal money management and made attempts to size up what was going on. "The

American family's plunge into debt for commodities during the last few years," wrote Harvard economist Franklin W. Ryan in 1930, "constitutes one of the most remarkable phenomena in modern history."[39]

The biggest question for observers then—as for historians now—was what did it all mean? While the changes in the credit system ran their course in the 1920s and 1930s, careful assessments about what was going on were crowded out by an efflorescence of quick-draw analysis and superficial criticism of "easy credit." In a variation on Gresham's law, bad talk drove out the good. The result was a standard interpretation of the rise of consumer credit, an interpretation that persists today and is widespread among both scholars and the public.

In a nutshell, this point of view interprets the rise of consumer credit as a significant departure from a thrifty past when, as Franklin W. Ryan remembered it, "most people 'never got into debt and always lived within their means.'"[40] The inconceivably large expansion of credit since the 1920s makes it easy to believe in a golden age of thrift before the rise of consumer credit, an age whose pocketbook prudence has been abandoned by a contemporary generation demanding instant gratification. "In the good old days," one writer begins her history of consumer credit, "economic life for the average person was conducted on a cash-and-carry basis." But now, as another continues the story, "babyboomers routinely [go] into debt for restaurant meals or new shoes."[41] This simple narrative of decline is often used to summarize the domestic economic history of the United States in the twentieth century.[42] But if ever there was a historical belief drawn up, in Carl Becker's famous phrase, "without fear and without research," this is a choice example.

The view just described is such a common and influential belief—indeed, it was the view I carried with me when I began my research for this book—I have given it a name: the myth of lost economic virtue. Because the myth of lost economic virtue continues to influence the way most people think about the rise of consumer credit, a summary of its history may be of interest to readers and help clear the way for a different analysis.

The Myth of Lost Economic Virtue

The myth of lost economic virtue actually predates the rise of consumer credit. Early traces appear in Mark Twain's first novel, *The Gilded Age* (1873), written with the help of his friend Charles Dudley Warner. Subtitled *A Tale of Today*, the book contrasted the financial conservatism of the antebellum generation with the speculative fever of those living after the Civil War. One of the former is Silas Hawkins. Though not immune to grandiose schemes, Hawkins "always had a horror of debt" and generally did his best to pay as he went along. Not so with his friend, the comically ambitious Colonel Beriah Sellers. Sellers, one of Twain's most memorable characters, is a man who knows how to live on "Beautiful credit! The foundation of modern society." No stranger to the merchants in his town, he is known to them by "his old customary formula, 'Charge it,'" the earliest known literary record of this expression.[43] In *The Gilded Age*, Twain satirized the lustful acquisitiveness and greedy speculation of the postbellum era, clearly implying that once it was not always so, that earlier Americans knew better how to live within their means. The book registered the beginning of a belief that American money morals were deteriorating.

After 1900 this belief was heard more and more often, until in the 1920s it became a part of "what everyone knows." "We are living in an age of credit," wrote George Horace Lorimer of the *Saturday Evening Post* in 1924, "or perhaps a more accurate delineation would be an age of debt. The firmly rooted aversion to debt in any form which prevailed a generation ago has almost completely evaporated."[44] Lorimer either had a very bad memory or was overgeneralizing from his own family history, but he was hardly alone in misremembering the way things used to be. In the 1920s, nostalgia for a lost golden age was widespread as Americans looked to sentimentalized reconstructions of the past to provide a baseline for measuring the extent of the rapid, overwhelming changes taking place about them. A tendency developed to view the past in romantic terms, remembering it as an untroubled

pastoral era, a time when the moral lines were more clearly drawn and more faithfully followed. "In other and simpler days," recalled an editorialist in the *New York Times* in 1923, "debt was a thing dreaded as the worst of ogres."[45] This was the myth of lost economic virtue, a piece of nostalgia entirely in harmony with the times.[46]

Remembering the past this way, many viewed the development of a consumer credit system as a "credit revolution," something entirely new and without precedent. In the estimation of M. R. Neifeld, one of the new credit industry's stoutest apologists, consumer credit was "a revolution second in importance only to the great shift from handicraft to machinery."[47] Critics agreed it was revolutionary, but were less sanguine about the results, believing that installment borrowing and buying signaled a "breakdown" in the moral nature of economic decision making. "Consumer credits," wrote the historian Preston William Slosson in 1930, put thrift "at a discount in all classes."[48]

If this was true, it was no small development in the history of the United States. Thrift had long been deemed a core value of American citizenship, as well as a mainspring for national prosperity. This helps explain why credit was one of the most vilified institutions of the new culture of consumption. Before consumer credit, it was possible to believe the average person was insulated from the temptations of affluence. "No nation was ever hurt by luxury," maintained Samuel Johnson, "for it can reach but to a very few."[49] For a century and more after Johnson, a dearth of disposable income functioned as a moat preventing most Americans from entering Vanity Fair. But consumer credit bridged the moat. When the millions stormed over, it seemed obvious to many that a moral revolution was in progress. More than with advertising and mass merchandising, critics saw that consumer credit not only tempted people to sin, it provided the means for sinning as well.

The notion that Puritan thrift had been abandoned lived on after the 1920s. But eventually a correction was made in the dating. For Mark Twain, the baseline for measuring the nation's departure from thrift had been the antebellum years. In the 1920s, the

baseline was relocated to be the late nineteenth century—Twain's era of "beautiful credit"! In the 1950s, the baseline was moved yet again. The generation that grew up during the Great Depression now remembered the golden age of thrift as the penny-pinching years of the 1930s. Penny-pinching there was, but it was forgotten that the 1930s also witnessed the final years of a credit revolution that drove consumer debt levels to new highs.

Since World War II the myth of lost economic virtue has only grown stronger. "Thrift now *is* un-American," claimed journalist William H. Whyte in 1956, unaware that others had said the same thing thirty years before.[50] Scholars critical of the indebted way of life have often blamed the prodigality of the people on the requirements of the capitalist system. "People have changed their view of debt," wrote John Kenneth Galbraith in *The Affluent Society* (1958). "Thus there has been an inexplicable but very real retreat from the Puritan canon that required an individual to save first and enjoy later." But it was not really so inexplicable. "The Puritan ethos was not abandoned," Galbraith maintained. "It was merely overwhelmed by the massive power of modern merchandising." Galbraith worried that if the trend toward more debt continued, the effects would be "considerable and disagreeable."[51]

Since Galbraith wrote *The Affluent Society*, the number of households in the United States has doubled, while consumer debt has increased 26-fold.[52] Rising indebtedness on such a scale makes it easy to believe in the myth of lost economic virtue, and not just for senior citizens reminiscing about the good old days. The myth is well entrenched among scholars, too. Christopher Lasch blamed modern advertising for obliterating "the horror of indebtedness," while David Tucker, in *The Decline of Thrift in America*, argues that "installment buying required a moral revolution against the Puritan ethic."[53] Few have made more out of the myth than Daniel Bell. In *The Cultural Contradictions of Capitalism*, Bell asserts that "the greatest single engine in the destruction of the Protestant ethic was the invention of the installment plan, or instant credit." This is the myth of lost economic virtue in a pure and concise form. Presumptions of a national decline from the heights of thrift

continue to offer a powerful interpretive narrative for understanding the economic and cultural history of debt in the twentieth century.[54]

In the beginning of my research, I also subscribed fully to the two key notions that make up the myth: first, that before consumer credit people "rarely went into debt and always lived within their means"; and second, that consumer credit destabilized traditional moral values by making it easier for people to live lives devoted to instant gratification and consumer hedonism. But the more I learned about the history of consumer credit and its effects on personal money management, the harder it became to accept the myth's central presumptions.

Other interpretations of the credit revolution are possible. They begin by facing certain facts. To begin with, it is simply not true that the invention of consumer credit was the invention of the indebted American. Debt, in fact, was a "heavy burthen" for the Pilgrims, a chronic headache for colonial planters (including George Washington and Thomas Jefferson), and a common hardship for nineteenth-century farmers and workers.[55] A river of red ink runs through American history. Occasionally it has overflowed its banks to effect alterations in the political landscape, generating famous events like the Nonimportation Resolutions, Shays's Rebellion, the Workingmen's Movement of the 1830s, and the formation in the 1890s of the Populist Party. At other times indebtedness has been a wide and covert river, concealed in the grocer's book and the pawnshop ledger, in the butcher's tab and the memory of friends, its current no less great for being hidden from view in people's private affairs. From colonial days through the 1890s, who did not know that life in the United States required financing, which meant debt?

The Credit Revolution and Consumer Culture

The myth of lost economic virtue is not baseless, but it hides too much. Making the rise of consumer credit seem more revolutionary than it was, it leaves historians in a quandary to explain how

a consumer credit industry in the 1920s was built so quickly and adopted so enthusiastically. Due to an overproduction of "revolutions" in historical scholarship, claims for newly discovered "revolutions" deserve a healthy skepticism, the same given by nineteenth-century merchants to out-of-town bank notes. Nevertheless, the main argument of this book is that consumer credit was revolutionary—but I contend it was revolutionary in *both* senses of the word.

In common speech "revolution" refers to a radical change of some sort, as in the French Revolution, the industrial revolution, and the sexual revolution. So when Loren Baritz claims that automobile installment financing was as "revolutionary as the assembly line," he means installment selling introduced fundamental alterations into American patterns of money management.[56] This is certainly true. But it is not the whole truth.

Like the word "revolution," the history of consumer credit has another side. In the scientific community, "revolution" has a meaning fairly opposite from common speech. Astronomers and physicists speak of "revolutions" as rotational motions, as in the orbits of stars and planets around other celestial bodies. It was this kind of astronomical movement that provided the analogy for the Glorious Revolution of 1688, the first political event to be so designated. When Parliament replaced James II with his daughter Mary and her husband, William of Orange, the new state of affairs was thought to be a *revolving* of English society back to an earlier political state, less a plunge into uncharted political waters than a turning back to old and familiar harbors.

In just this sense consumer credit was revolutionary, too. When twentieth-century American consumers took to indebtedness as a way life, they followed in the tracks of seventeenth-century colonists, eighteenth-century planters, and nineteenth-century farmers and small businessmen. It is often forgotten, but from Plymouth Rock to the present, American dreams have usually required a lien on the future.

This truth is entirely missing from the myth of lost economic virtue. Consequently, the history of consumer credit, when it is

told at all, is usually presented as a story of discontinuity and rupture, as a repudiation of the way money was managed in the past. This book demurs. I have found the continuities to be equally striking.

The Myth of Easy Payments

If one of the continuities is that debt was a primary strategy of household finance long before consumer credit, another is the nondisappearance of economic discipline in the face of an "easy credit" environment supposedly hostile to "traditional" values from previous ages of scarcity. In the culture of consumption, prudence, saving, and industry survive, and their persistence demonstrates in what sense consumer culture is about much more than hedonism. The currents of consumer culture do not all flow in the same direction. They may stream generally toward the gratification of desire and away from Puritan "in-the-world" asceticism, but the current is not all one way. There are backcurrents and riptides. If it were not so, consumer culture could not endure. Consumption as a way of being in the world has developed restraints of its own, mechanisms of control that enable it to function as an integrating force for society. One of the most effective of these mechanisms is consumer credit.

Most people responding to the allure of "little easy payments" have found that the indebted way of life forces enough external disciplines on them that the culture of consumption is preserved from its own reckless imperatives. Installment financing saddles borrowers with a strict schedule of payments. To satisfy their obligations, modern consumers are forced to commit themselves to regimens of disciplined financial management. In this way, consumer credit has limited the hedonistic impulse within consumerism, while preserving the relevance of traditional values such as "budgeting," "saving," "hard work," and even "thrift." Thus, consumer credit has done for personal money management what Frederick W. Taylor's scientific management theories did for work routines in the factory. It has imposed strict, exogenous disciplines

of money management on consumers, in the interest of improving their efficiency in the "work" of being a consumer. Because "easy payments" turned out to be not so easy—work and discipline were required to pay them—consumer credit made it easy for Americans to think of consumption as "work," which greatly eased the passage from a society oriented around production to a society dedicated to consumption. By preserving the relevance of many nineteenth-century producer culture values, it made the culture of consumption less a playground for hedonists than an extension of Max Weber's "iron cage" of disciplined rationality.[57]

As Philip Rieff has argued, cultural orders consist of both controls and releases. Controls are moral demands used to interdict antisocial behavior; releases are carefully regulated permissions to bend and break the moral demands, so that individuals can bear the pressure of having to put communal purposes first. Rieff believes the era of traditional Christian controls has come to an end—"Religious man was born to be saved; psychological man is born to be pleased"—and that Western societies stand on the edge of a brave new culture that, for the moment at least, is composed almost entirely of releases. But Rieff has little doubt that "therapeutic" consumer culture will in time produce its own effective controls. It must, because no viable culture can preach only releases from the economic, social, and moral disciplines necessary for the survival and flourishing of society.[58]

Building on Rieff's provocative analysis, Jackson Lears has turned away from the view, which he helped to create, that sees the rise of consumer culture as a simple, linear shift from a society oriented around self-denying production to a society oriented around self-indulgent consumption. On the contrary, Lears now believes that consumer culture is "less a riot of hedonism than a new way of ordering the existing balance of tensions between control and release." Lears arrived at this view while studying the history of modern corporate advertising, an important social authority whose messages are commonly thought to emphasize fun, lust, sensuality, and materialism—in other words, hedonistic releases from traditional moral codes. But Lears finds themes of materialistic hedonism have been less predominant in corporate advertising

than other messages of restraint, messages that amount to a "rhetoric of control" advising people to manage their desires in the interest of "personal efficiency"—robust physical health, psychic well-being, productive relationships with others, and the like.[59] This is an intriguing argument, full of promise for new ways of thinking about the culture of consumption. But the pendulum of interpretation should not be allowed to swing so far that we underestimate the hedonism that abounds in consumer culture, or overestimate the actual influence of advertising's "rhetoric of control."

The history of consumer credit provides a more concrete case for understanding the culture of consumption as a balance of tensions between permissions and restraints. Until recently the permissions have received all the emphasis, which is certainly understandable—they are more obvious. In the case of consumer credit, scholars such as Daniel Bell, Christopher Lasch, David Tucker, and others have correctly perceived the first and most obvious way consumer installment credit shaped the development of a culture of consumption: it enabled the American public to purchase expensive durable goods that, without credit, most of them could not or would not have bought. Consumer lenders accomplished what advertisers were powerless to do, which was to provide people with the means to turn expensive consumer dreams into instant realities. Credit, in short, made consumers of the millions.

But to stop here is to take a seriously truncated view of consumer credit. It is possible to make too much of catchphrases such as "buy now, pay later" and "little easy payments," pointing to them as evidence that consumer credit is an engine of consumeristic hedonism and instant gratification. Jeremiads against installment buying focus exclusively on a single moment in time—the moment of purchase when desire is satisfied—and ignore the months and years following the day an installment contract is signed.

Thus, it is possible to overlook a second and less obvious contribution consumer credit makes to the culture of consumption. Once consumers step onto the treadmill of regular monthly payments, it becomes clear that consumer credit is about much more than instant gratification. It is also about discipline, hard work, and the

channeling of one's productivity toward durable consumer goods. The nature of installment credit ensures that if there is hedonism in consumer culture, it is a disciplined hedonism, and if there are hedonists in consumer culture, they are less likely to be found lounging on island beaches than keeping their noses to the grindstone at one or more places of employment. Thus, I regard consumer credit as an instrument of both cupidity and control. And by "control," I mean not a rhetoric of control as Lears sees in advertisements, but an actual enforcement of economic imperatives in the lives of consumer debtors.

The general argument of this book agrees with an observation made by the literary critic C. S. Lewis. Humanity, argued Lewis, does not pass through history as a train passes through stations: "Being alive, it has the privilege of always moving yet never leaving anything behind. Whatever we have been, in some sort we are still."[60] Indebted Americans of the 1990s are different from American debtors of the 1790s and 1890s, but not completely different. The rise of consumer credit cannot be accounted for until it is recognized as a continuation of a long-standing American willingness to get ahead by getting into debt. Moreover, consumer credit carried into consumer culture financial values and practices from an older age of scarcity: discipline, hard work, budgeting, and saving. This happened because even in an age of abundance, money itself always seems to be in short supply. Despite the efforts of advertisers, retailers, and all the other brokers of consumerism to make people into hedonistic consumers, values and practices attuned to scarcity and production persist. It is my contention that they persist not despite consumer credit, but because of it.

The book is divided into three parts. Part One sets the stage by showing how the modern system of consumer credit grew from a previously existing credit system used by millions of Americans in the nineteenth and early twentieth centuries. Credit in this period was not static, but for my purposes the years before 1915 are best seen as a prelude to what was to come. Contrary to popular belief, debts appeared often on the balance sheets of Victorian families. Moreover, debt was not something the Victorian money management ethic taught people to "fear," as is so often claimed. On the

contrary, the antidebt maxims of Poor Richard were hardly the Victorians' last word on the subject of credit. Nineteenth-century financial advice books actually encouraged some forms of indebtedness, including, in certain situations, debt for consumer goods.

This helps explain why, in the twenty years following World War I, working- and middle-class Americans adopted consumer credit so readily. Part Two examines the meteoric rise of two new sources of credit in the 1910s and 1920s: legalized small-loan lending and installment selling. Though they followed different trajectories of development, both present a story of unintended consequences. The builders of the small-loan industry were firm believers in the Victorian ideology of producerism, and hardly intended their lending to create a market for "consumptive" credit. Yet, in time, that is exactly what these credit pioneers accomplished. Conversely, the creators of the installment plan from the beginning sang the praises of unbridled consumerism. Yet their form of credit, with its rigid schemes of repayment, actually had the effect of reviving traditional principles and practices of Victorian money management, breathing new life into old values such as budgeting, saving, and the importance of choosing "productive" investments.

Nonetheless, critics of the new system of credit abounded. Part Three tells the story of how in the 1920s and 1930s "consumptive" credit came under heavy attack, first for debauching the nation's morals, then later, during the Depression, for ruining the nation's economy. It examines how the fledgling consumer credit industry responded to concerns about the propriety of consumer borrowing, and how it finally succeeded in winning public acceptance. By 1940, on the eve of a war that would bring severe credit restrictions, the legal, moral, and economic foundations of consumer credit were securely in place. Consumer credit had survived its critical shakedown period, and credit-based consumerism, marked by constant tensions between instant gratification and sobering monthly payments, between the blandishments of the salesman and the constraints of the bill collector, had become a characteristic feature of the American way of life.

The conclusions I reached while writing this book surprised me. In the beginning I very much wanted to buy into the myth of lost economic virtue and blame consumer credit for the hedonism and loss of self-discipline so evident in contemporary society. But my fundamental motivation in writing this book was neither to praise nor condemn the culture we live in, but simply to follow the evidence where it led in a search for better understanding. As it happens, my own view of consumer culture is rather skeptical. I certainly believe there have been worse ways of living and being in the world, but in my view consumer culture is a pleasant, and therefore all the more deceptive, detour from where true joys are to be found. To conclude that consumer credit helps prolong the viability of this culture by providing it with mechanisms of control to counterbalance its releases is to me no great cause for celebration. On the contrary, as one who lives in a consumer culture it leaves me doubly wary. If my analysis means anything, it means modern consumers run the risk of being both deceived by consumerism and dragged along by consumer credit. To say there have been worse ways of living is not to say this is a good way to live.