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Credit, Debt, and Inequality

Rachel E. Dwyer

Department of Sociology, The Ohio State University, Columbus, Ohio 43210, USA;
email: dwyer.46@osu.edu

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Abstract

Increasing access to diverse types of credit and spreading indebtedness across many social groups were significant economic developments of the twentieth century and into the twenty-first, with implications for social inequality and insecurity. This review evaluates the role of credit and debt in social inequality in the United States. Credit and debt shape inequalities along multiple pathways, in defining social inclusion and exclusion, directing life chances, and facilitating oppression. On the basis of this review, I conclude that building on the progress made in prior research calls for a relational approach to understanding credit, debt, and inequality that includes a focus on the powerful actors that benefit from a political economy increasingly dependent on credit and debt to distribute, regulate, and control social resources. I close by identifying outstanding questions that need to be answered in order to move forward our understanding of economic inequality and insecurity, as well as for social policy and the prospects for collective action.

INTRODUCTION

What are the implications of widespread credit access and indebtedness in a highly unequal society? This question taps into longstanding sociological concerns but became increasingly relevant and pressing at the turn of the twenty-first century in America. The financialization of the American economy that was unmasked in a new way during the financial boom and then crisis of the early 2000s turned a spotlight on credit, debt, and inequality in public debates and academic research. By the end of 2017, household debt was almost $13 trillion overall, an increase of 16% since the Great Recession (Fed. Reserve Bank N. Y. 2017). Thus, even with social and legal challenges to the financial system after the recession, American households resumed taking on debt as the economy grew in the postcrisis expansion. The growing importance of credit and debt in capitalist societies developed out of a tension between democratization and expanding access to credit on the one hand, and growing precarity and increasing indebtedness on the other. Neoliberalism and the accompanying welfare state retrenchment appears to have shifted the balance away from democratization toward spreading insecurity. Yet access to good credit remains a valuable social resource in the US political economy, which is marked by a thin and market-based approach to investing in social mobility and providing social insurance (Prasad 2012).

Creditor-debtor relationships are inherently unequal, and the prevalence and types of credit and debt holding in a society structures social inequality more broadly (Carruthers & Ariovich 2010, Krippner 2017). However, financial resources and liabilities have received far less attention in sociological research than have factors such as education, work, and wages. Although influential and long-running research programs in sociology establish the significance of credit and debt in structures of inequality—for example, in cataloging the causes and devastating consequences of racial discrimination in mortgage markets—these insights have remained relatively focused within research on particular social domains rather than influencing the overall approach to social inequality in the discipline. Even the growing research on wealth disparities largely subsumed issues of credit access and indebtedness by focusing on assets or overall net worth (Oliver & Shapiro 2006, Keister 2000, Killewald et al. 2017). Research on the distinctive role of credit and debt in inequality built over the 2000s, however, with studies investigating financial disparities across a range of social domains in American society. This research connects back to classical and mid-twentieth-century traditions but also breaks new ground in understanding the extreme financialization of the 2000s.

The growth of research on credit, debt, and inequality in the 2000s intersected to some extent with the tradition of research on money and finance in economic sociology and history. Just as in inequality research, however, this program proceeded with less attention to credit and debt specifically compared with money and finance overall, and with particularly little attention to implications for inequality (Carruthers & Ariovich 2010). The accelerating financialization of the 2000s spurred research in this area as well, along with a growing (and related) interest in inequality within economic sociology (Davis 2009, Fligstein & Goldstein 2015). This research has developed our understanding of the political economy of credit and debt, probing the historical evolution of the instructional structure of credit and debt in America in order to understand the roots of the 2000s financialization and crises (Krippner 2011, Prasad 2012).

In this article, I review research on credit, debt, and inequality in the United States at the turn of the twenty-first century. Of course, important research on credit and inequality exceeds these parameters, as credit and debt have featured in economic life for millennia and thus have long been implicated in unequal structures and processes (Graeber 2011, Dodd 2014). I focus attention here on a particular set of issues around high and growing levels of inequality under financialized capitalism in the United States context of high levels of inequality, paired with a system of socioeconomic attainment significantly reliant on credit and debt. I focus mainly on formal institutions of credit and debt structured by the state, financial markets, or a hybrid of public and private structures, though at the end I reflect as well on connections to more informal lending. I concentrate largely on contributions within sociology, though there are intersecting literatures in economics, education, law, consumer science, social work, and public health. I begin with an overview of the political economy of credit and debt in America, and discuss the typical conceptual model of credit and debt used in research, as both (or alternately) resource and liability. Then I review empirical research on how credit and debt shapes social inequality through multiple pathways. Three principal approaches have emerged in research on credit and debt that connect to strong traditions of research on inequality: credit and debt in shaping social inclusion and exclusion, the influence of credit and debt on life chances, and credit and debt as elements of oppressive social relations.

On the basis of this review, I develop a conceptual mapping of the types of debt relationships highlighted in different areas of research on credit, debt, and inequality. I undertake this exercise in order to synthesize prior work, systematize the commonalties and distinctions between types of credit and debt identified in inequality research, and propose a framework for future research that sits on the foundation of a relational approach to credit and debt inequalities originating in the classic approaches to inequality in sociology. I highlight the connections between broad shifts in the political economy and the growing reliance on a wide range of credits and debts governed by a diverse set of institutional structures. I conclude that this approach reveals that even quite disparate types of financial obligations derive (at least in part) from interconnected social developments, an argument that has implications not only for understanding the research in this area, but also for the possibilities for collective action.

CREDIT AND DEBT IN TWENTY-FIRST-CENTURY AMERICA

The reliance on credit and debt in the twenty-first-century American political economy was forged in the nineteenth and twentieth centuries, as the federal state and civil society developed a dependency on financialized solutions to social provision. Prasad (2012) argues that expanding access to credit became an alternative to publicly subsidizing key social goods in the United States, including land and housing, education, and even social insurance, in what she calls a credit–welfare state trade-off. Loosening credit partially (and often only temporarily) resolved distributional conflicts in the United States by providing resources that less obviously drew on the state than welfare state spending, though often at highly unequal terms (Krippner 2011, Leicht & Fitzgerald 2014). These dynamics culminated in the second half of the twentieth century in what Crouch (2009) and Prasad (2012) identify as a form of privatized mortgage Keynesianism that fostered economic growth based on consumption and individualized provision of social necessities within credit markets, with active state intervention in structuring those markets. The credit-welfare trade-off that had been developed earlier in the twentieth century came to its fruition in a democratization of credit expanding to large swaths of the American population (Prasad 2012, Krippner 2017).

The ascendance of neoliberal ideology and financialization in the 1980s and after reinforced the preexisting dependence on credit and debt in the American political economy, but deregulation shifted mortgage Keynesianism into a riskier and more predatory system (Crouch 2009, Prasad 2012). Deregulation allowed more types of institutions to enter financial markets and expanded the capacity of creditors to extract fines, fees, and penalties from consumers, raising the willingness of some financial market actors to lend to even relatively high-risk borrowers (Fourcade & Healy 2013). Financial industry consolidation may have reduced the viability of organizations such as credit unions that sometimes provide less risky options to disadvantaged populations, leaving space for predatory organizations to find a niche (Negro et al. 2014). Securitization further encouraged risky lending as loans were bundled and sold as commodities, separating those making the loans from the immediate consequences of a bad loan and raising systemic risk for all (Immergluck 2009). Individuals and households grew more dependent on credit and debt as the state retreated even more from social provision, and individuals increasingly shouldered the responsibility for realizing economic security and mobility (Hacker 2006, Leicht & Fitzgerald 2014).

The American political economy thus brings the logic of credit and debt relationships centrally into the distribution of key social resources. Credit and debt relationships tie material circumstances in the present to past actions and future goals and obligate households to actors and responsibilities outside of the household over a period of time (Carruthers & Ariovich 2010). These relationships are fundamentally unequal in putting those without resources into a web of obligations to capital holders, but access to credit or time to pay is often highly valuable for making purchases and investments that would otherwise not be possible (Krippner 2017). As in other unequal relationships in capitalism, such as the wage relation or property relations more generally, beyond the central power imbalance there is significant variation in the quality and conditions of different credit and debt relations, and this is increasingly true under conditions of intensifying financialization (Fourcade & Healy 2013).

Research on social inequality must therefore pursue questions about credit and debt relationships: Who gets time to pay for goods, services, and investments, to what creditors, and at what terms? Who is forced to pay for past consumption or behavior, perhaps with penalties and prejudice? The temporal dimension of credit and debt is at the heart of both the value of credit as a resource or opportunity and the risk of debt as a liability carried into an uncertain future (Beckert 2016). Access to good credit is essential to wealth building for most Americans, but even debt from purportedly safe credit instruments can turn sour with a change in personal circumstances or broader economic conditions. Thus, even at their best, credit and debt entail tensions between investment and risk, resource and liability, security and insecurity, freedom and trap, democracy and dependency.[1] The dream has been that access to the right kind of credit would allow Americans to make investments that increase security, freedom, and democracy; the nightmare that has all too often ensued is one of generalized risk, insecurity, and dependency. These tensions are particularly evident in the role of credit access in processes of social inclusion and exclusion.

CREDIT AND DEBT IN SOCIAL INCLUSION AND EXCLUSION

Exclusion from credit markets is one way that disparaged and disadvantaged groups have been left out of American society, and expanding access to previously excluded groups has long been a focus of social movement activism targeting both the state and financial institutions (Massey & Denton 1993, Trumbull 2014, Krippner 2017). Gaining access is no guarantee of good terms, however, and as financial markets have become more pervasive and complex, inequalities in terms, conditions, and types of debt have become as important as inequalities in access to credit. I start by reviewing research on the role of the US state in determining access to credit and then move on to credit market access and exclusion.

The State and Credit Access and Exclusion

The state plays a crucial role in structuring credit markets to produce winners and losers, included and excluded. The state regulates the types of credit on offer and the range of terms that financial

[1] Economists are generally more likely than other social scientists to emphasize the resources provided by credit markets and treat the problems that arise as a function of market failures that could be redressed with proper regulation. Sociologists are generally more likely to emphasize the risks inherent in a political economy so dependent on credit and debt.

companies are allowed to employ, as well as a whole host of rules about what types of organizations can provide what types of credit. Social movement actors press the state for access to more and better credit, along with regulations to control the power of finance (Hyman 2012, Krippner 2017). Financial companies press the state for less regulation and free reign to target distinct credit products across markets and populations (Davis 2009).

The state also acts directly as creditor, particularly in markets for public goods such as housing and education—public goods that in other countries might be supported by public funds and direct subsidy. Indeed, the state has often justified entering markets as a creditor or guarantor of credit in order to broaden social inclusion in the markets that provide public goods, such as housing and education (Jackson 1985, Mettler 2014). For example, as the US federal government entered the home mortgage arena, it broadened access to middle-class and working-class White populations by guaranteeing 30-year mortgages that could be repaid at modest payments over long periods. The expansion of higher education has occurred at least in part by the federal student loan program. These systems are in reality mixed public-private systems, with some private financial market actors often (and increasingly over time) integrating with federal systems (Mettler 2014, Immergluck 2009).[2] An alternative system of social provision of housing or postsecondary education might have provided wider and more secure access, but in the US system as it exists, loans have provided a crucial entry point to investments in social mobility.

At the very same time, both in its role in setting credit market regulations and in its role as creditor, the US state has excluded large groups from access to credit, especially racial minority populations, to ongoing devastating effect. In the early twentieth century, the state blocked most African-American populations from access to more inclusive mortgage instruments by deeming minority borrowers too risky, and, most perniciously, through the practice of redlining, through which whole minority neighborhoods were denied mortgage credit as excessively high risk (Massey & Denton 1993). The practice of redlining disastrously reinforced residential segregation and increased the racial wealth gap even as the civil rights movement dismantled the legal architecture of segregation (Jackson 1985, Oliver & Shapiro 2006). The emergence of a more developed mortgage market thus increased social inclusion for White populations of varied classes while worsening social exclusion for African-American and other minority populations (Massey & Denton 1993). Advocacy and social movement actions have made some inroads to reduce that exclusion, but at the same time, financial market deregulation has opened up new forms of predation on minority populations (Immergluck 2009).

The federal student loan system also relies on credit to provide a key public good (similar to housing provision), with the stated goal of increasing access to higher education. There are few restrictions on access beyond requiring the status of student (or parent of student), and over time, loans have become a larger share of federal aid relative to grants and other forms of direct assistance (Goldrick-Rab 2016). Declining state subsidies for public colleges and universities as well as declining support for grants at the end of the twentieth century into the twenty-first century (though with some reinvestment in Pell Grants during the Obama administration) led directly to a growing number of students carrying loans as colleges raised tuition to compensate

[2]Thurston (2018) argues that socially excluded groups often recognize the mixed public-private nature of the US welfare system and target that intersection as a point of action. She demonstrates that social activists fought to create and change state regulations in order to ensure access to private goods such as credit. These activists argued that access to the private credit market serves public goods such as managing uncertainty and ensuring the capacity of all people to invest in the future. These actions and framing both illuminate the credit–welfare state trade-off and attempt to alter its terms to be more democratic and fair.

for retreating state support (Goldrick-Rab 2016). As a result, the public good of higher education has increasingly become a private good, financed in part by loans (Hacker 2006, Glater 2015, Eaton et al. 2016). The state continues to underwrite or subsidize student loans, however, reflecting the often hybrid public-private nature of the credit-welfare trade-off in America. (In the shift from grants to loans, we also see the balance shifting increasingly toward financialized market solutions typical of the turn-of-the-twenty-first-century period.) The state also imposes unusual repayment terms, including some types of forbearance unavailable in fully private loan systems, as well as more punitive terms, such as excluding student loans from bankruptcy proceedings, an exclusion fought for by lenders but justified in moralistic terms that individuals should not be able to discharge responsibilities to the state (Mettler 2014).

Financial deregulation and declining state investments have increased the importance of loans relative to other types of social provision, and the neoliberal preference for markets has brought private market actors even into credit systems once run or tightly regulated by the state. The result is that financial markets are increasingly important in regulating social inclusion and exclusion.

Credit Market Inclusion and Exclusion

Within the rules enforced by the state, financial companies exercise broad authority to include and exclude potential borrowers. Creditors attempt to manage risk by either blocking risky borrowers from particular credit instruments, or by granting access but charging higher interest rates and fees to riskier borrowers (Guseva 2008, Carruthers 2013). Fourcade & Healy (2013) call these two types of sorting between-market versus within-market classification: Financial companies rank borrowers, first, in what types of credit they can access, and second, in the quality and characteristics of that accessible credit. Social status inequalities such as race and gender also affect these creditor risk assessments as a result of prejudice and discrimination (Pager & Shepherd 2008). Corporations may set policies that are disproportionately discriminatory, and individuals within those organizations may import their own assumptions about credit-worthiness even where formal egalitarian policies are in place (Ross & Yinger 2002, Stuart 2003).

Extending the state exclusionary practices discussed above, the most persistent and pernicious forms of credit market exclusion have involved mortgage discrimination against Black individuals, families, and neighborhoods. Discrimination against Black and other minority borrowers in mortgage markets occurs throughout the lending process, including redlining by financial institutions that exacerbates the legacy of state redlining (Goering & Wienk 1996, Turner & Skidmore 1999, Ross et al. 2008, Gotham 2006, Hernandez 2009, Hanson et al. 2016, Massey et al. 2016). Redlining extends beyond mortgages to other forms of credit and banking as well. Access to credit cards and insurance differs by neighborhood, starving already disadvantaged neighborhoods even of short-term credit (Squires 2003, Cohen-Cole 2011). Despite sometimes successful efforts to expand credit access to minority communities, racial segregation is so entrenched that it continues to produce and reproduce the deep and alarmingly growing racial wealth gap in American society (Conley 1999, Shapiro 2017).

Credit market discrimination also occurs along dimensions of inequality other than race, most notably by gender. Women were blocked from credit access as well as property ownership in early modern America into the mid-twentieth century (Trumbull 2014). Up until the 1970s, married women had to gain the approval of husbands to get a credit card or mortgage and often needed a male cosigner. Obstacles persisted even into the late twentieth and early twenty-first century as financial businesses treated women as higher-risk consumers and offered worse terms even when gaining access to credit. Feminists worked to expand credit access to women on nondiscriminatory terms (Krippner 2017). Just as for race, financial actors justify gender discrimination in credit markets by claiming that women are objectively worse risks than men, but these assessments are undergirded by cultural prejudices around competence and worthiness (Stuart 2003, Polillo 2011).

The rise of credit scoring has made it harder for excluded groups, including women and racial minorities, to claim discrimination in access to good credit. The so-called objective measures systematically disadvantage particular groups similarly to more direct forms of prejudice, except with a less clear claim to discrimination. The technology masks the extent to which these rankings associate with social groupings, as the rankings appear to arise out of individual characteristics and behaviors (Fourcade & Healy 2017, Krippner 2017).

Modern credit scoring technologies thus facilitated the ranking and sorting of individuals, making ever-more complex classifications possible within credit markets (Carruthers 2013, Fourcade & Healy 2013). As credit scoring enhanced the capacity of financial companies to make finely tuned credit offerings, credit became increasingly available to even high-risk borrowers, but the terms of credit also became much more unequal and differentiated. Fourcade & Healy (2013) argue that the result is that credit market classification situations increasingly shape class situations and life chances, extending Weber's conceptualization of class as market position (Weber 1978). Indeed, a growing body of research demonstrates that differentiated life chances follow from access to distinct types of credit and patterns of debt holding.

CREDIT, DEBT, AND LIFE CHANCES

Studies of social inequality typically catalog resources and liabilities as distinct entries on a ledger of advantages and disadvantages, but as the foregoing sections make clear, credit and debt fit uneasily in this model. The variable classification situations associated with different types of debts and terms offer distinct opportunities and threaten distinct risks. Scholars often capture these differences by distinguishing between debt that is secured by property (especially mortgages) versus unsecured debts (especially consumer debt and student loans), expecting that secured debt operates more often as a resource and unsecured debt operates more often as a liability. The quantitative data sets that make up the majority of work on credit, debt, and life chances typically lack more fine-grained data on terms or conditions. Next, I review the research that has begun to study credit and debt in socioeconomic attainment across the life course, as well as in the intersecting realms of family formation and health, focusing especially on unsecured debt. Then I review research that more directly addresses the temporal uncertainty of debt relationships (including both secured and unsecured debt) by studying the role of credit and debt in causing and managing economic insecurity. While research on debt and insecurity departs in certain respects from the typical models of socioeconomic attainment, it perhaps best captures the probabilistic elements, and indeed risks, inherent in life chances in twenty-first-century America.

Socioeconomic Attainment Across the Life Course

As highlighted in research on credit access, secured debt in a context of a weak welfare state enables households with modest means to build wealth over time, and exclusion from such opportunities contributes to inequalities in attainment and wealth accumulation (Conley 1999, Killewald et al. 2017, Shapiro 2017). In the increasingly privatized and financialized context of the twenty-first century, Americans notably turned to unsecured debts as well as secured debts to make investments and maintain their standard of living (Cohen 2017). Houle (2014a) shows that, as a result, young adults in the early 2000s carried far more unsecured debt than did previous generations, whose major debt instead was more likely to be a secured mortgage on a house. Inequalities in attainment appear to be linked to differential burdens of unsecured versus secured debts across populations, shaping asset building or depleting processes (Killewald 2013). Research on debt in socioeconomic attainment in the twenty-first century thus focuses especially on unsecured debts.

Student loans are a particularly important case of an unsecured debt targeted at building human capital, in an extension of the logic of home mortgages but without the underlying security of a physical asset. As federal and state subsidies of higher education decline, loans have become increasingly important to securing access to higher education and linked occupational attainment, and even transitions to marriage and homeownership, but at a significant cost. Loans can support educational access and completion, particularly for less advantaged groups, though they are less effective than direct grants and the positive association of student loans with graduation appears to level off at higher debt loads (Heller 2008; Dwyer et al. 2012, 2013). Students with higher loan levels concentrate in more applied majors with more immediate labor market returns and are less likely to pursue further educational investments such as attendance of graduate school (Millett 2003, Rothstein & Rouse 2011, Quadlin 2017). Within particular academic trajectories, higher debt burdens may direct career choices toward more immediately lucrative careers, for example, corporate versus nonprofit law, that facilitate paying down the debt (Field 2009). Households with higher student debt loads report lower levels of wealth compared with similar households without student debt—both because of the student debt itself and also because they carry more consumer debts and hold fewer assets such as cars and houses—though Houle & Berger (2015) question the causal link except within disadvantaged populations (Elliott & Lewis 2015, Zhan et al. 2016).

As in other research on factors shaping socioeconomic attainment, there appears to be substantial heterogeneity in the potential effects of student loan holding. Students of middling socioeconomic status carry the largest debt burdens relative to less and more advantaged populations (Houle 2014b). Positive and negative consequences of loans vary according to student characteristics and loan amounts rather than being distributed in a linear fashion (Dwyer et al. 2012; Chen & DesJardins 2008, 2010). Heterogeneous effects may also be due to those with student loan debt taking their studies more seriously (Quadlin & Rudel 2015). The worst outcomes concentrate among those who take on student debt but never complete a degree, especially those without a four-year degree (Goldrick-Rab 2016). Debtors who attended two-year colleges and for-profit colleges are much more likely to default on loans, even at relatively small loan amounts, and to suffer other financial problems (Porter 2012, Looney & Yannelis 2015, Akers & Chingos 2016). Loans may help Black students gain access to college education, but Black debtors also experience higher default rates and slower wealth accumulation over the longer term (Jackson & Reynolds 2013, Elliott & Lewis 2015, Glater 2015, Addo et al. 2016, Goldrick-Rab 2016, Cottom 2017, Seamster & Charron-Chénier 2017). The risks of the student loan system thus appear to fall on the populations who most struggle to gain access to higher education in the first place, a perverse outcome for a system purportedly intended to facilitate access to postsecondary education.

Consumer credit may also be used to support socioeconomic attainment, including through investments in internships, educational expenses not covered by student loans, transportation, interview clothing, and the myriad other demands that may impact cultural and social capital in the process of securing advantaged positions (Ritzer 1995, Schor 1998, Manning 2000, Sullivan 2012). To the extent that there is discrimination by race or gender, disparities in debt likely lead to disparities in the capacity to garner resources important for social mobility (Killewald 2013). Consumer credit is, however, in most respects riskier than student loans and may similarly encumber longer-term investments and wealth accumulation even while achieving shorter-term goals (Leicht & Fitzgerald 2014, 2015; Hodson et al. 2014).

Family, Health, and Well-being

The insecurities that come with holding debts may affect life chances not only through direct financial effects, but also through effects on family transitions, physical health, and mental health (Sweet et al. 2013). To the extent that debt has positive or negative effects on life chances, the effects may travel through pathways connecting family structure and health to socioeconomic attainment and well-being across the life course.

Family formation in the United States entails an expectation of financial readiness, and levels of indebtedness figure in these calculations (Schneider 2011). Unsecured debt, including student loans and consumer debt, may delay homeownership, marriage, and childbearing. Later in the life course, debt may delay retirement (Mann 2011). In a pattern similar to that of research on debt in socioeconomic attainment, the negative effects of unsecured debt concentrate mainly at higher levels of debt and among more disadvantaged populations (Addo 2014, Houle & Berger 2015, Nau et al. 2015). The delaying effects of educational debt on marriage appear to dissipate over time, though the factors that shape that temporal dynamic are still largely unexplored (Bozick & Estacion 2014). Racial inequalities in debt holding contribute to the racial wealth gap, and thereby to the racial marriage gap, in the United States (Schneider 2011, Addo et al. 2016).

Debt holding may be stressful, even if troubles never materialize. Anxiety is heightened for older and younger populations facing significant transitions in their work and financial lives (Drentea 2000, Drentea & Reynolds 2012, Leicht & Fitzgerald 2015, Hodson et al. 2014, Berger et al. 2016). The experience of holding loans may change over the life course as the perception of a loan as a resource that enables spending (on education or purchases) may shift as the burden of repayment becomes the dominant experience of holding the loan (Dwyer et al. 2011, Nau et al. 2015). Negative mental health outcomes from debt holding concentrate among middle-class and lower-income populations, perhaps contributing to delay in marriage for less-advantaged groups carrying loans (Hodson et al. 2014, Berger et al. 2016). Children of parents carrying unsecured debt experience more socioemotional problems, perhaps as a reaction to parental stress, while parental debts connected to investment goals such as mortgages and student loans result in lower levels of socioeconomic problems for children (Berger & Houle 2016).

Health problems are themselves a significant source of debt in the US context. Many bankrupt households carry substantial medical debt, and indeed, financial problems resulting from health are a key cause of bankruptcy (Sullivan et al. 2000, Himmelstein et al. 2009). While it is not yet clear whether the Affordable Care Act will reduce medical bankruptcies (if the Act survives political assaults), a study of the Massachusetts health reform upon which the Affordable Care Act was modeled found bankruptcy rates were about the same before and after the reform, though the postreform estimate occurred during the Great Recession, which may have offset positive effects of the medical reform (Himmelstein et al. 2011). Debt from any source may also reduce the resources available to maintain health. Kalousova & Burgard (2013) show that individuals with high levels of consumer and medical debt after the Great Recession avoided visiting the doctor or dentist. Health problems also increase the chance of home mortgage default and foreclosures, as well as credit card default (Houle & Keene 2015). Debt accrued during a medical crisis or as a result of a family member with a disability may lead to long-term unsecured debt that encumbers families over the long term (Houle & Berger 2017). These findings highlight the heightened insecurity of carrying debt, a vulnerability that may be latent until crisis (societal or personal) hits.

Economic Insecurity and Crisis

Credit and debt are a significant source of insecurity in the contemporary US economy, and, in one of the paradoxes created by the credit–welfare state trade-off, credit and debt also represent resources for managing economic insecurity and crisis by buying time to pay bills. While much of the research on life chances focuses on the gradual accumulation of advantages and disadvantages over the life course, shocks that may come with little warning significantly affect life chances in the US context of economic insecurity with little social insurance (Western et al. 2012, Morduch & Schneider 2017). Such shocks can radically shift individual and family prospects over a short period of time (Sullivan et al. 2000, Cooper 2014). Economic crises tend to worsen, or reveal the risks of, indebtedness that may be overlooked in better times, and thus scholars emphasize both the role of debt in crises and the underlying risks associated with ongoing high levels of indebtedness that are most fully revealed during times of crisis. The role of debt in heightening economic insecurity is also likely a key reason for the heterogeneity in effects on socioeconomic attainment and on family and health outcomes discussed above.

Research on bankruptcy shows that negative events such as a health scare, job loss, or family disruption often trigger a downward economic spiral. This spiral is made worse by access to credit among households with little access to risk insurance (Sullivan et al. 2000; Maroto 2015a,b). Sullivan et al. (2000) highlight this tension in their studies of bankruptcy. Once crisis hits, families often run up significant debt as a way of attempting to ride out the bad times, getting deeper into a financial hole along the way and leading to delinquency and credit problems even for those who avoid bankruptcy (Sullivan et al. 2000, McCloud & Dwyer 2011). The easy availability of credit, even to those in trouble, sends families already struggling deeper into the red. Bankruptcy not only affects financial circumstances but also reduces job prospects and disrupts social networks through the deleterious effects of social stigma and negative credit reports, which are increasingly used in labor as well as credit markets (Thorne & Anderson 2006, Maroto 2012). For student loans, which are in most cases impossible to discharge through bankruptcy, the financial burden can be very long-term (Porter 2012).

The financial crisis of 2008 and the ensuing Great Recession put into sharp relief the interacting role of debt as cause and consequence of financial insecurity. Economic crises reveal risks that may have been previously unrecognized: Easily available mortgages fueled the housing boom, but the subprime mortgages, 80/20 piggyback loans, adjustable-rate loans, and other exotic credit products spread risk throughout the housing system, raising insecurity for unsuspecting homeowners and the whole economy (Immergluck 2009). Worries about debt escalated after the Great Recession, and many Americans paid down debt either voluntarily, or involuntarily through foreclosure and default (Bricker et al. 2012). Even secured debts can become problematic in crisis: The Great Recession appeared to deepen concerns about mortgages, especially among young adults who had accumulated little equity in their homes (Dwyer et al. 2016). Debt crises threaten identity and self-concept along with financial security (Treas 2010, McCormack 2014). These worries can spread beyond individual households; populations living in neighborhoods with more foreclosures during the Great Recession experienced worse mental health (Houle 2014c). At the same time, during the recession, many families had little recourse but to fall back on debt as a way to manage shortfalls in income. In her study of Northern California families during the Great Recession, Cooper (2014) shows that many middle-class families relied on debt to tide them over during times of slow work and to continue to invest in the markers of middle-class life, including holding onto homes with expensive mortgages and sending children to college. The result is that families may have become more economically precarious over time, though more research is needed to understand the consequences of the Recession for debt holding (Redbird & Grusky 2016).

Research on uses of debt during times of insecurity often focuses on the middle-class households who have wide access to credit in the American economy. There is increasing attention to uses of debt among economically insecure poor families as well, however. Poor households carry a variety of loans, including credit cards, student loans, and, in the worst cases, payday and other types of fringe banking loans (Halpern-Meekin et al. 2015). Compared with more advantaged groups, poor people's debts are more likely to be in the form of past-due bills rather than loans, a type of debt that is often overlooked in social surveys but that is the source of a great deal of insecurity and anxiety (Desmond 2016). The poor have little recourse to bankruptcy, an expensive transaction in its own right, and thus get stuck with accumulating penalties, including legal penalties. These processes reflect not only credit and debt in shaping life chances, but also oppressive social relations.

CREDIT, DEBT, AND OPPRESSION

Social exclusion breeds the conditions for oppressive financial arrangements. Extractive market actors target disadvantaged and dispossessed populations as a source of profit, wringing money out of those who can least afford it through deception, coercion, and a fine understanding of the law that allows them to harness the power of the state to enforce even highly unfair contracts (Desmond 2016).[3] While neo-Marxian accounts of exploitation focus on the labor relation, there is a long history stretching back to Marx of studies of the extractive operations of the secondary circuit of capital, finding profit in financial markets (Wright 2005, Gotham 2006). Worries over the profitability of usurious credit undergirded credit market regulation for centuries, which resulted in enforcement by legal, moral, and even uglier means (Graeber 2011). However, credit expansion in America substantially reduced both the legal and moral regulation of credit (Davis 2009). It has become possible and highly profitable for some financial companies to extend risky credit to the most disadvantaged populations. In a terrible confluence of developments, the same disadvantaged populations that predatory market actors target are also increasingly likely to carry debts imposed by the state.

Predatory Lending

Predatory lending transforms access to credit from a form of social inclusion to a deepening degree of exclusion (Bolton & Rosenthal 2005, Fourcade & Healy 2013). Shady operators strip poor families and neighborhoods of needed resources and trap vulnerable groups with false promises.

Predatory lending in mortgage markets expanded in the late 1990s and early 2000s, targeting Black, Latino, and poor families and neighborhoods long blocked from access to quality mortgage credit (Farris & Richardson 2004, Immergluck 2004, Renuart 2004, Been et al. 2009, Massey et al. 2016). Once the 2008 financial crisis hit, the result of this new reverse redlining concentrated a foreclosure crisis in Black and Latino neighborhoods that deepened decades of disinvestment under the old redlining (Williams et al. 2005, Rugh & Massey 2010, Rugh 2015, Rugh et al. 2015, Massey et al. 2016). The role of social exclusion in fostering the conditions for predatory lending is further demonstrated by findings that metropolitan areas with the highest levels of racial segregation experienced some of the highest levels of foreclosures during and after the crisis (Rugh & Massey 2010, Hyra et al. 2013, Rugh 2015). The resulting devastation deepened segregation in the hardest-hit areas and worsened wealth inequality overall and by race (Pfeffer et al. 2013, Hall et al. 2015, Shapiro 2017).

[3]These institutional dynamics are cousins (or even closer relations) to the use of credit and debt to maintain social control going back millennia. Company towns, sharecropping, debtors' prisons, and other forms of debt peonage bolstered class and race inequality in the United States at various periods, even into the twenty-first century (Graeber 2011). Loan sharks and other forms of debt peonage are often integral to the structure of control in criminal syndicates.

Fringe banking and predatory lending practices extend well beyond mortgages into forms of consumer credit including payday loans, title loans, and tax refund advance loans, which often target the same populations as predatory mortgages. While these types of loans can relieve an urgent short-term financial stress, they often lead to a cycle of dependency, with borrowers facing mounting interest, fees, and penalties over time (Stegman & Faris 2003, Melzer 2011). Like predatory mortgage operations, fringe banking organizations concentrate in poor and minority neighborhoods, exacerbating the negative effects for individuals and families and resulting in financial stress for entire communities (Graves 2003, Smith et al. 2008).

Cycles of Debt and Delinquency

Poor families carry many types of debts, including not only predatory loans but also credit cards, student loans, medical debt, and overdue bills accrued while managing volatile incomes and financial challenges (Heflin et al. 2009, Tach & Greene 2014, Halpern-Meekin et al. 2015, Morduch & Schneider 2017). The large amount of past-due debt fuels a business of debt collectors who make their money buying old debts and tracking down borrowers to extract whatever resources they can through bullying tactics and cynical exploitation of the laws enforcing contracts (Williams 2004). Nonfinancial businesses also use credit and debt to extract resources from disadvantaged populations for profit. Some businesses piggyback off of other credit systems, such as for-profit colleges that siphon money out of the federal student loan system by encouraging students to borrow large sums, with little commitment to providing a valuable degree (Mettler 2014, Cottom 2017). Other businesses and operators (such as slum landlords) provide goods and services at high prices to disadvantaged groups and then pursue strenuous practices to collect past-due payments, including through the courts (Desmond 2016).

Lower-income families thus often live in a perpetual cycle of debt and delinquency. Halpern-Meekin et al. (2015) find that poor families eligible for the Earned Income Tax Credit (EITC) often use their tax refund to pay off debts built up over the year, in an annual cycle of building up debts over the course of the year and then paying them down at tax time. Mendenhall et al. (2012) estimate that 84% of families that receive the EITC use at least some of it to pay debt or past-due bills. Some companies prey on the need for cash by offering advance loans against refunds. Desmond (2012, 2016) catalogs extreme cycles of delinquency in the housing rental market in the prevalence of eviction in poor neighborhoods. One eviction often leads to repeat experiences as housing insecurity makes it harder to maintain education and jobs that might provide more financial security, and landlords become less willing to rent to those with an eviction on their record. The role of the courts in enforcing these debts highlights the role of the state in reproducing inequality in credit systems, but sometimes the state itself is the creditor.

The Punitive (and Predatory?) State

The state facilitates oppressive practices by enforcing or imposing debts through the legal system in often highly imbalanced processes that further disadvantage those least able to muster a legal defense. The state enforces creditor-debtor contracts in the courts, where private citizens are formally allowed to present their case against corporate actors, although corporate actors are typically much more organized, knowledgeable, and resourced than individuals, making them by far the favorites in these disputes. Bankruptcy in the United States has historically been relatively easier than in other countries, but in recent years banks successfully lobbied Congress to make even this last resort harder for individual debtors by passing the Bankruptcy Abuse Prevention and Consumer Protection Act in 2005. The new law requires credit counseling and payment of all back taxes, and it eliminated all automatic stays in eviction proceedings and also imposed a means test requiring debtors making more than their state median income to continue to make payments to creditors (Henry 2006).

The state also enforces debts incurred in personal relationships. When noncustodial parents (often fathers) fall into arrears in child support, the state aggressively pursues collection (Patterson 2008, Kim et al. 2015). In many cases, child support enforcement effectively maintains children's well-being, but in the case of many low-income and indigent noncustodial parents, child support debt becomes part of the cycle of delinquency. The state imposes serious consequences for nonpayment, including wage garnishment, suspension of occupational and driver's licenses, and, in the extreme case, incarceration (Patterson 2008). Child support debt can even accrue during a spell of incarceration. The enforcement of family financial obligations by the state extends even to foster care, where parents (including mothers) are required to pay child support to the foster parents even when poverty contributed to the very factors that led to placement of children out of the home (Cancian et al. 2017).

As usurious terms have become more acceptable in private markets, it has also become acceptable once again for the state to use monetary sanctions on criminal defendants and even imprison those who cannot pay (Harris et al. 2010). The state itself contributes to the accumulation of debts, including fines, penalties, and legal fees imposed on criminal defendants and in civil suits such as evictions (Harris 2016, Desmond 2016). Here the state becomes a different kind of creditor than in the case of mortgages or student loans; instead of supporting social mobility, the goal is social control and punishment, further disadvantaging already significantly deprived populations (Harris et al. 2011). Legal debt traps individuals in a cycle of poverty and, for criminal defendants, can further ensnare them in the criminal justice system. The failure to pay fees and fines in some cases constitutes a violation of parole that leads to time in prison, further damaging employment prospects and family relations so that the legal debtor becomes even less likely to have the resources to repay the debt. This modern resurgence of the debtors' prison brings a distinctly financial pathway into the processes whereby mass incarceration undergirds social exclusion in America.

Monetary sanctions and legal fees tacked onto civil suits tap into older views of moral accountabilities in debts. The courts expect debtors to repay bills even if the original prices and contracts are exploitative, and expect those convicted of crimes to show accountability and remorse by paying legal fees and fines even if already destitute. The moralizing focuses exclusively on those in arrears, however, rather than on the morality of imposing such debts on already desperate people. Strapped governments prioritize collecting payments to run operations rather than providing restitution to victims, raising questions about whether the state itself acts as a financial predator within the oppressive system of mass incarceration (Harris 2016).

AN AGENDA FOR FUTURE RESEARCH: A RELATIONAL APPROACH TO CREDIT, DEBT, AND INEQUALITY

The research reviewed above provides substantial insight into the role of credit and debt in a range of processes of social inequality. Scholars made significant progress in the early 2000s, with accelerating contributions and a large number of active and forthcoming projects that will continue to develop our understanding over the coming years. One of the main conclusions that emerges from this review is that there is great diversity in the types of debts held by Americans, and those debts arise out of diverse institutional arrangements, not all of which fit into the typical model of creditor-debtor relationships in financial markets. Different areas of the literature focus on distinct types of debts: For example, political economic approaches emphasize the dynamics of formal credit markets, while qualitative research on poverty foregrounds oppressive state and market debt collection that often operates entirely outside of credit markets. At the same time, both deal in questions of social exclusion and inclusion. For many purposes, concentrating on particular types of credit or debt is reasonable. Yet, from the perspective of household budgets, any debt is a liability against current and future spending, and families and households must navigate a range of relationships and institutions in managing their debts. Thus, what may be institutionally separate processes can, in the lived experience of debt, become intertwined in shaping inequality dynamics, including inclusion and exclusion, class position and life chances, and the degree of oppression faced by a particular family or individual.

Next, I propose a conceptual mapping of formal debt relationships in the US context that captures both the diversity and the underlying similarities across debt types. This model offers a systematic summary of the types of debts that have surfaced most in research on credit and debt at the turn of the twenty-first century. It also aims to bring conceptual clarity to the varied discussions of credit and debt that are occurring largely separately in the literature. The unifying focus is understanding inequality as structured by relationships between actors with differential power and privilege, rather than simply as a collection of distributions of debt or net worth. A relational approach to credit and debt helps us understand that different forms of credit and debt offer distinct types of resources and impose distinct types of liabilities in ways that are more categorical (or ordinal) than linear (Fourcade & Healy 2013, Fourcade 2016). Carruthers (2017) argues that different types of credit and debts are relationally and organizationally earmarked for particular uses and structured by distinct terms (Bandelj et al. 2017). Although he focuses on corporate debts, earmarking likely limits the fungibility of different forms of credit for households as well, which in turn shapes the implications of distinct debts for inequality.

A Conceptual Model of Debt Relationships

Creditor-debtor relationships are inherently unequal, but research in sociology on credit, debt, and inequality demonstrates that the character of that inequality depends on the institutional actors who stand as creditors and the nature of the debt held by individuals and households. I focus here on formal debt relationships with institutional actors and then close this section with remarks on extending this conceptual framework to encompass more informal debt relationships, including personal debts to family and friends. Formal debt relationships vary along two dimensions: the type of institutional structure governing the relationship and the temporal characteristics of the debts accrued or imposed.

First, starting with the institutional dimension, formal debts emerge out of the state or the market, distinct governance structures that determine access to credit and the imposition of debts. As discussed earlier, mixed institutional solutions are also relatively common in the US system, where even public investments often engage market actors in the delivery of resources. Debt relationships thus may vary from those organized mainly by the state to those organized mainly by the market, with mixed public and private transactions in the middle. Of course, there are framing regulatory state structures that define all markets, but the distinction here is between cases where the state has a relatively direct role in governing a transaction versus those where the state sets the background conditions (Bourdieu 2005). Prior research has investigated a range of debts along the state-market dimension.

Second, the temporal character of the debt relationship differs between prospective offers of credit versus retrospective incurring of debts for past consumption of a good or service or as a penalty for noneconomic behavior. Similar to the institutional dimension, we could think of this as ranging from entirely prospective offers of credit to entirely retrospective impositions of debts, with mixed cases in the middle where credit may be offered after debt has been incurred, for

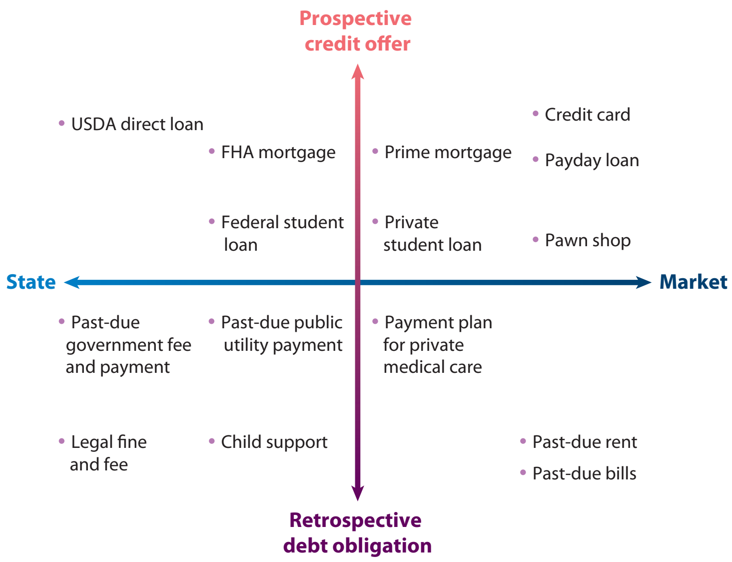

Figure 1

Conceptual model of formal debt relationships by state versus market creditors and prospective versus retrospective financial obligations. Abbreviations: FHA, Federal Housing Administration; USDA, United States Department of Agriculture.

example, in some payment plan arrangements. This dimension highlights a disjuncture between theoretical and empirical approaches to credit and debt, where theoretical discussions tend to focus on prospective offers, while studies of household and individual experiences of debt surface a range of retrospective obligations.

Distinct types of credit and debt can be located in the cross-classification of the two dimensions of credit and debt relationships defined by the institutional structure and temporal character of the debt obligation. **Figure 1** illustrates the four quadrants delineated by crossing the two dimensions, highlighting the relational and categorical distinctions between different forms of debt. In the most straightforward interpretation, the figure is a four-fold table, with each quadrant representing the conceptual space for different types of debt relationships. Variation along the dimensions may also produce distinctions within quadrants, though the complexity of debt relationships likely retains a categorical dimension to within-quadrant differences rather than simple scaled positions along continua. I suggest provisional examples of debt relationships arrayed along these dimensions based on research on credit and debt, though the character of any particular relationship may depend on the historical period and specific institutional arrangements.[4] The debt relationships in the top two quadrants are those most commonly studied in research on credit, debt, and inequality and include traditional credit instruments offered within the US political economy. The upper right quadrant of prospective offers of credit in financial markets includes the instruments offered by financial institutions, including mortgages, credit cards, and payday loans. The upper left quadrant of prospective offers of credit by the state describes debt relationships where the state is more involved in setting terms or conditions, Federal Housing Administration mortgages, and direct

[4]The rise of securitization at the turn of the twenty-first century, for example, significantly altered the character of some of the debt relationships in upper left quadrant by separating the original creditor from debtors (Davis 2009, Immergluck 2009).

loans, such as some provided through the United States Department of Agriculture. Mixed public-private systems fall near the middle of the state to market regulatory dimensions. Student loans, for example, operate as a mixed public-private system, where federal loans are mainly regulated by the state, but with private financial institutions distributing federal loans in some historical periods. On the other side of the line, financial institutions distribute private student loans but with significant state regulation, for example, defining who is eligible for loans and in regulations that make it very difficult to discharge any student loans (public or private) in bankruptcy proceedings.

The debt relationships in the bottom two quadrants surface less often in large quantitative analyses of debt, but qualitative studies demonstrate the importance of these financial obligations, especially for disadvantaged groups. The bottom right quadrant includes retrospective financial obligations emerging from market relationships, for example, from past consumption of goods or services, including past-due rent, utilities bills, and payments for medical care. Market-based retrospective debt obligations arise when individuals or families use a good or service even if they lack payment. Notably, individuals and families often incur these obligations through the consumption of goods and services connected to human needs for shelter and health, which sometimes include a grace period of continued access even without pay. In the United States, access to any good or service without payment is almost always temporary, however, and ends after continued nonpayment, as in eviction from rented property or exclusion from nonemergency medical services.

The bottom left quadrant includes retrospective debt obligations to the state. Some of these operate in very similar terms to market-based retrospective financial obligations and may be considered closer to them on the market-state continuum when state agencies operate within markets, for example, in past-due payments for public utilities or public entities providing health services. While the grace period for payment may be longer in the public sector relative to the market, exclusion from services often eventually occurs even for access to water, the most fundamental necessity for life. This quadrant also includes the legal financial obligations imposed by the criminal justice system that result in debt when convicted groups cannot pay immediately. These include fees for legal services, fines for criminal behavior, and restitution to victims. Legal financial obligations and child support enforcement orders are the most distinct forms of debt imposed through punitive and restorative justice, but once imposed, they often operate according to the same organizational technology as other debts, including payment plans and accumulation of fees for nonpayment, though with the extreme sanction of prison for nonpayment.

While I have focused here on formal credit and debt relationships, this framework could be expanded to include informal and personal debt relationships, perhaps on a third axis. Certainly there are debt obligations that are neither market nor state but operate within families, friendship networks, criminal syndicates, nongovernmental service organizations, and even ethnic groups. As discussed above in the case of child support, the state may become implicated in enforcing these contracts, as in civil suits where judges determine the distribution of financial obligations among family, friends, and other relations (Zelizer 2005). Debt may also figure broadly in what Wherry (2017) describes as the relational accounting involved in the earmarking and distribution of resources in families and communities (Zelizer 2004, Rona-Tas & Guseva 2018). Poor and working-class communities are often replete with informal chains of lending and receiving small sums of cash to manage emergencies (Halpern-Meekin et al. 2015). Indeed, as formal credit markets extend to cover wider percentages of nonpoor populations, it may be that the poor increasingly are distinct from other groups by relying on cash and the informal economy (Edin & Shaefer 2015, Fourcade & Healy 2017). The question of when personal networks versus more formal lenders are used is important for understanding how families and individuals balance risks and opportunities.

Implications for Inequality

The conceptual model of debt relationships is valuable for structuring future research by directing our attention to the particular institutional structures and processes that determine the experience of debt holding and the particular rights and responsibilities associated with different types of financial obligations. First, these relationships entail different logics of access, ranking, social control, and moral accountabilities. The institutional dimensions highlight how different types of creditor-debtor relations result in different ranking processes among debtors, whether they are the categorical status distinctions imposed by the state or fine-grained classifications in markets (Fourcade & Healy 2017). A moral value of accountability linked to the American value of personal responsibility and belief in equality of opportunity infuses all types of debts, but the justifications for that expectation vary across the temporal dimension of debt types. Prospective credit offers more often connote responsibility for individual financial achievement and independence (Krippner 2017). Retrospective debt obligations, in contrast, more often connote accountability for past behavior (Harris 2016).

Second, while individuals from any socioeconomic group may find themselves entering into any or all of these types of debt relationships, the conceptual mapping of credit and debt foregrounds significant differences across socioeconomic groups by concentrating in different positions. The top row of prospective credit offers are more likely made to affluent or middle-class and disproportionately White populations, and the bottom row of retrospective financial obligations are more likely to fall on lower-income or poor and disproportionately racial/ethnic minority populations. The experience of debt and financial fragility is thus different across these social groups defined by class, race/ethnicity, and other social status, though also tied together by similar logics of financialization and individualized accountability for life conditions. The particular governance structure and organizational technologies of entry into credit and debt affect the way that status inequalities, including gender, race/ethnicity, nativity, and others, intersect with financial inequalities. Certainly, social statuses will shape the moral inflections of different debts and especially their relationship to social inclusion and exclusion. Harris (2016), for example, characterizes legal financial obligations as punishment for the poor where state actors justify oppressive treatment through morally derogating poverty and racial minority status.

Third, a relational approach to inequality requires a focus on those who have built and benefited from financialized social arrangements, as well as the effects of those arrangements on individuals, families, and institutions. This raises questions about antagonistic conflicts both between creditors and debtors and among debtors. Williams (2004), for example, details the inequities entailed by affluent users of credit cards getting interest-free convenience and rewards while those who carry revolving credit must pay the burdens of interest and fees. Research on financialization highlights the power of the financial sector and implications for various types of inequality and insecurity (Davis 2009, Lin & Tomaskovic-Devey 2013, Eaton et al. 2016). Desmond (2012) argues that studies of housing problems require attending to the role of landlords and the state in addition to the experiences of poor tenants.

Finally, the model may facilitate analysis of how credit and debt relations vary across time and space. I have focused on the US case of a neoliberal and deregulated context with a strong history of state investment in credit in social provision. How similar or different are the credit and debt relationships that result from this context compared with other countries with different political economies? The American political economy is both exhibit A in these changes and a potentially exportable model (Guseva 2008, Zavisca 2012, Rona-Tas & Guseva 2018). We also know relatively little about the relationship between indebtedness and trends in inequality over time.

Methodological Challenges

There are a number of methodological difficulties in pursuing a relational approach to credit, debt, and inequality. First, data limitations continue to be a significant obstacle to making progress, especially the relational dynamics of distinct debts. Data on the most powerful actors are scarcer than on the less powerful. More broadly, social surveys tend to contain much more information on education and labor market indicators of social position than they do on assets and debts. When included, data on credit and debt are often collected relatively infrequently, have few details about the terms and conditions of different forms of credit, and often have little information on monthly payments in additional to total liabilities. Social surveys are particularly weak on the types of debts carried by poor people and especially have little data on legal debts and payments to businesses that are in arrears. Growing awareness of the value of data on credit and debt may lead to improved measures, but pressures on social surveys are increasingly intense and thus scholars often have to turn to other sources. Court records, credit reports, and administrative sources have all provided significant insight into often hidden dynamics. A particularly promising approach is matching administrative records from courts, social welfare systems, and educational institutions to individual survey data, linking the lived experience of credit with the institutional structures in which individuals are embedded. In all cases, scholars need to be thoughtful and forthcoming about what their data include and exclude, and the resulting implications for conclusions. Many data sources illuminate only part of the conceptual map described in **Figure 1**, and excluding particular relationships and quadrants may lead to erroneous conclusions. It is, for example, common for scholars to articulate credit and debt as distinctively middle-class concerns, but this is likely as much a function of lacunae in available data sources as a result of actual class dynamics.

Second, there is still much work to be done to simply outline the descriptive patterns of debt-holding in the data sources that exist. We still know less than we should about basic questions of the overall distribution, quantities, and types of debts, though there are notable exceptions (see, e.g., Dynan & Kohn 2007, Caputo 2012, Killewald 2013, Houle 2014a). Research on wealth inequality (Killewald et al. 2017) provides a guide for this goal, as calculations of net worth require estimates of liabilities. Studies also employ a large number of different measures of debt, including categorical measures, linear approaches, various transformations of debt measures, and debt-to-income ratios. This diversity derives in part from differences in the questions asked in different studies, but it also is a result of little consensus on best modeling practices. A better handle on the distributional properties of credit access and debt holding will also help push forward understanding of how to model debt. While for some purposes it will be sufficient to consider total debt or net worth as a reasonable approximation of financial influences, for other purposes it will be necessary to understand the distinct logics associated with different types of debts in order to understand outcomes, especially in studies that aim for a more relational understanding of debt and inequality.

Third, as in many other areas of social research, scholars struggle to balance a search for identifying causal effects of debt with sensitivity to the selection processes that generate different financial portfolios across households. We should aim to construct a theoretically sophisticated description of credit, debt, and inequality as well as to identify mechanisms that connect debt to crucial social outcomes (Houle & Berger 2015). For example, differential selection into college complicates efforts to evaluate effects of student debt. Relatedly, it is important to specify the proper counterfactual to attending college with debt, which for many may be opting out of higher education altogether rather than going to college without loans (Avery & Turner 2012). It is also challenging to determine over what time period to evaluate any consequences of student debt, given that the returns to education often take time to accumulate (Dynarski & Scott-Clayton 2013).

Finally, the temporal dimensions of credit, debt, and risk are harder to conceptualize and model than the disparities and gaps that dominate work on social inequality. Advancements in modeling temporal processes will help meet these challenges. These questions link to broader challenges in capturing insecurity in economic life (Western et al. 2012). For example, measures of material deprivation often do not include levels of indebtedness, despite substantial debt holding among impoverished populations.

CONCLUSION

I close by raising one more question that is crucial both for scholarship and for policy and practice. What are the possibilities for a fairer and more egalitarian financial system? The scholarship in this review largely catalogs a move toward less democratic financial arrangements in the United States. The rising importance of credit and debt has evolved along with a growing moralization of accountability and individualization of responsibility that imposes responsibilities for financial difficulties on individuals more than institutions. Public understandings of class inequality become personalized and individualized, masking the role of elites and institutions in perpetuating unfair arrangements (Hacker 2006, Williams 2004). More collective claims could be made, however, by drawing parallels between otherwise distinct experiences of financial insecurity as resulting from connected developments, including the deregulation of financial markets, the weakening of the welfare state, the movement of more state functions to markets, the notion of individual responsibility, and the starving of governments that leads to seeking revenue streams even from convicts.

There are signs of opportunity, for example, in new currencies, alternative financial structures, and critiques of finance coming from social movements, policy actors, and scholars alike (Davis 2009, Dodd 2014). In a wide variety of realms, relief from excessive indebtedness requires a reinvestment in public goods, a renewed commitment to the collectivization of risk, and imposing greater responsibility on the powerful and profitable to serve the public good (Hacker 2006, Davis 2009, Dodd 2014, Pattillo 2013, Desmond 2016, Goldrick-Rab 2016). A relational approach to credit, debt, and inequality recommends a more equitable distribution of risk that relies less on credit and debt as distributional technologies. Rebalancing need not necessarily require a full retreat from credit, but could instead entail a renewed emphasis on regulation to produce fairer access to credit at better terms without excessive risk. A major challenge is balancing inclusion and exclusion in policy designs so that disadvantaged groups maintain access to good credit as needed but still get protection from the worst abuses. In a highly financialized economy, the struggles may increasingly turn to the terms and conditions of debt, and the classification situations that credit ranking systems produce, in addition to the overall question of access or exclusion (Fourcade & Healy 2017). Many do need and value time to pay for social goals, but the terms and relationships that structure that time should be as fair and equitable as possible, and barred from the most exploitative and oppressive uses.

At this writing, the prospects for such a rebalancing look grim given the Trump administration's goals of further cutting state investments in education and social services and privileging the interests of financial actors and exploitative businesses such as for-profit colleges. These moves themselves may produce the counterforce of a more robust critique, however. What is clear above all is that whether such a rebalancing is possible will significantly affect the future of democracy and equality in America.

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