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Credit, consumption, and debt: Comparative perspectives

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In the context of the recent economic crisis, it became clear that social scientists did not pay sufficient attention to several very critical questions concerning modern market economies. These questions include the following: How do nations regulate their credit markets? Why did household indebtedness increase substantially, and why did it grow more in some nations than others? What are the implications of access to credit for lower- and middle-income households' lifestyles? How do different nations handle overindebtedness? And finally, how exactly are the macro-level processes that underlie global debt economies linked to the experiences of actual individuals?

Recently, a vibrant field of research has begun to emerge around these questions. The findings are transforming our established understandings of the political economy of advanced societies and opening new outlets for comparative research. Some key questions and issues, briefly outlined below, were discussed extensively over 2 days at the Dublin Workshops[1] on Financialization, Consumption and Social Welfare Politics in the May of 2012. Subsequent to that conference, we attempted to develop a special issue of *International Journal of Comparative Sociology* (*IJCS*) from the articles presented there, with the participants invited to submit their articles for review to the journal. Two articles from this conference are included in the current issue of the *IJCS* as a special section (immediately following this introductory essay).

This new field of scholarship on comparative credit, consumption, and debt is a variegated one, woven together by some common themes and animated by the big questions noted above. Several lines of inquiry need to be mentioned in this regard.

First, there is the question of how credit markets operate. Nations maintain distinct approaches to regulating their credit markets. While some attempt to limit access to credit, others facilitate credit use. While some nations emphasize 'consumer choice' in credit market transactions, others emphasize 'consumer protection.' Some nations heavily rely on disclosure regulations, assuming that market actors will act rationally on the basis of the information they have. Other nations put restraints on the actual credit products that can be bought and sold on the market, not leaving it to market actors to determine the level of risk that can be assumed. Comparing the United Kingdom and France, Ramsay (2012) shows, for instance, that in the United Kingdom, maximizing access to

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credit and consumer choice in a free market has been seen essential to promoting growth and living standards, while France has relied on a model of paternalistic protection by the state of consumers from the credit market. Similarly Trumbull (2012) shows that the US administrations during the postwar era remained in favor of increasing access to credit whereas French governments remained deeply skeptical of credit expansion. Another comparative study by Guseva and Rona-Tas (2001) shows the significant role played by market institutions in reducing uncertainty to quantifiable risk. In the United States where these institutions existed, Guseva and Rona-Tas argue, credit markets have grown tremendously whereas in Russia where uncertainty could not be effectively transformed into calculable risk in the absence of such market institutions, the profitability and growth of the credit market stalled.

A second line of inquiry remains concerned with who has access to credit and to what extent. In the United States, the socioeconomic basis of credit use remained rather restricted until recently. The so-called ‘democratization of credit,’ which refers to increased availability of credit for formerly excluded groups including racial and ethnic minorities, began after the Second World War and has gained momentum since the 1960s (Kuebler, 2012). Racial and ethnic disparities in access to credit, however, have persisted (Kuebler, 2012; Reid, 2005). Given that access to credit plays a significant role in shaping inequalities in house ownership and consumption, it is crucial to know more about how exactly the process of ‘democratization of credit’ unfolded, and how different minority groups fared vis-à-vis this process. In a similar vein, we face the concern of how outsiders to the labor market and immigrants fare in credit markets compared to citizens in European countries.

Third, it is important to understand the implications of access to credit for lower- and middle-income households’ lifestyles and material welfare. By enabling lower- and middle-income households to have access to products and services that remain beyond their simple means, credit considerably reorders living standards, and as such alters the experience of class and inequality in modern societies (Rajan, 2010; Kus, 2011, and in this issue).

A fourth critical dimension concerns the cross-national differences and *changes over time* observed in cross-national differences. Household indebtedness increased pretty much across the board over the past few decades. Still, the difference between nations remains significant. Some scholars attribute the trend of rising household indebtedness to changing patterns of consumption. It has been argued that in the United States, the insatiable demand for consumer products and ‘luxury fever,’ as Frank (2007) calls it, forced middle-class families to save less and use more credit, fueling an increase in household indebtedness (Cynamon and Fazzari, 2008; Davis, 2009; Schor, 1998). Other scholars look for the answer in the rising insecurities of the middle classes (Hacker, 2006; Leicht, 2012; Rajan, 2010; Warren, 2004; Warren and Tyagi, 2004). According to this perspective, households in the United States and other liberal market economies turn to credit not to satisfy their consumption craze but to maintain the basic necessities of a middle-class lifestyle.

In the United States, where private ownership of homes is prevalent, mortgage credit comprises a large part of the overall indebtedness (Schwartz and Seabrooke, 2009; Warren, 2004). Kemeny (1980) and Castles (1998) argue that there is a trade-off between private home ownership and public welfare, and that imputed income from home ownership substitutes for pension income in market economies point. Recent works by Dalton Conley and Brian Gifford (2006) support this view. Prasad (2012) similarly argues that there is a trade-off between reliance on credit and reliance on the welfare state across the industrial countries, and that this divergence remains rooted political economic patterns laid down at the turn of the 20th century.

Another important question concerns the ways in which nations handle overindebtedness. Once again, significant differences exist between policies of advanced countries. In liberal market economies, we find an extensive private overindebtedness industry, including fee-charging debt management companies listed on the stock exchange, whereas in some other countries, like France, management of overindebtedness is accomplished through public commissions (Ramsay, 2012). Cultural and regulatory understandings of debt as a private versus public matter underlie such different policies (Gloukoviezoff, 2006; Ramsay, 2012).

Finally, how the macro-level dynamics of the global debt economy operate side by side and in conjunction with the micro-level intricacies of the personal experience of debt also need to be examined. The latter concerns the human side of the global credit industry, the emotional work that underlies the professional management of the creditor–debtor relationships.

The two articles included in the following special section address rather distinct, but nonetheless vitally important aspects of the issue of credit, consumption, and debt in comparative perspective. Both are richly empirical, but they use very different types of data and methodology to explore key questions.

The macro-comparative article by Basak Kus analyzes data from 20 OECD (Organisation for Economic Co-operation and Development) countries over the period 1995–2007 to investigate whether factors that allowed lower- and middle-income households to sustain their consumption had any impact on governments' redistributive efforts. Kus focuses on two factors in particular: *access to credit* and *access to cheap imports* (notably, imports from China). She finds both variables to have a statistically significant negative association with redistributive effort, controlling for a range of variables. Kus argues that by enhancing consumption these mechanisms moderated the effects of income inequality and suppressed public discontent with increasing income inequality, thereby lessening the political urgency of redistribution.

Winifred Poster's article on the 'hidden sides of the credit economy', on the contrary, examines the global credit industry at the intersection of globalization, outsourcing, and emotion work. Drawing on her extensive ethnographic work at call centers in northern India, Poster makes three important points regarding the workings of the global credit industry. First, she sheds light on the micro-underpinnings of the global debt industry by highlighting the intricate emotional strategies call center employees – the 'emotional hitmen', as she calls them, utilize to convince consumers to acquire debt and then urge them to make the payments. She vividly describes how these employees carry on the emotion work by tapping into customers' intimacies (sensitivities and anxieties about money, family, and self) and moralities (ethics about finance and sense of honor about paying debts). Second, she argues that credit industry has been pivotal in the development of transnational outsourcing. The very first outsourcers that opened shop in India were credit card firms, and they continue to be among the main drivers of this industry. Finally, Poster analyzes how outsourcing and emotion work come together in the global credit industry. Cheap labor is not the only reason why credit card firms have been flocking to India, Poster argues. Through outsourcing to northern India, firms extract highly qualified emotional labor from the global south.

Both of these articles make important contributions to the literature. The authors gratefully thank the participants of the Dublin Workshops on Financialization, Consumption and Social Welfare Politics, the anonymous reviewers, and the Editor of *IJCS* for the immensely helpful feedback they received over the past year as they prepared their articles to publication.

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