The Creation of American Personal Bankruptcy, 1880-1955

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Abstract

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This dissertation examines the social construction of American federal bankruptcy law from the Gilded Age to the post-World War II Era. Across the nineteenth century, federal legislators vociferously debated whether a federal bankruptcy statute would facilitate the extension of business credit across state lines or be employed by creditors to oppress small traders, farmers, and wage earners. After the law's enactment in 1898, however, this debate largely disappeared. By the period following the Second World War, bankruptcy was an accepted means for working class debtors to obtain debt relief, either immediately or after paying their creditors out of their future wages. Across four chapters, I explore the factors associated with this shift. How did bankruptcy become an accepted part of the American political economy and welfare state?

To answer these questions, I analyze new samples of census-linked bankruptcy petitions in comparison with survey data on working class debtors, a corpus of Congressional speech and media, and archival data on relevant policy actors. Social reformers' efforts to create "fair" credit markets through Small Loan Laws (SLL), alongside rising bankruptcy rates, ultimately naturalized a conception of bankruptcy as morally "caused" by debtors, apart from creditor choices or malfeasance. As SLLs reduced real interest rates, they also led lenders to collateralize their relative risks through extending credit in states where it was legal to garnish debtors' wages. In doing so, SLLs inadvertently spurred credit extension based on wages rather than property. The conception that debtors "caused" bankruptcy, in turn, led Great Depression Era

legislators to focus on delineating who was "deserving" of bankruptcy protections and how insolvent individuals could prove their future "creditworthiness" and reenter financial markets. The 1938 Bankruptcy Act established a voluntary wage-earner payment system (Chapter XIII) for "deserving" white men while also formalizing provisions for immediate debt discharge (Chapter VII). Yet when few wage earners decided to "honorably" pay their debts over time, judicial actors in post-World War II America employed Chapter XIII bankruptcy as a debt collection system that reduced lenders' risks against "undeserving" bankrupts. As Black people increasingly sought debt relief through bankruptcy protections, they were directed to Chapter XIII, irrespective of their economic interests. These payment plans increased the time and money that Black bankrupts needed to pay in order to regain their economic citizenship.

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Introduction

> *There are . . . many honest failures, where unforeseen calamities come upon honest people, and where it is impossible to pay at the time, and would continue to be impossible so long as they are harassed by importunate creditors. Under these circumstances we believe it is perfectly legitimate for a man to take advantage of the bankrupt law. (…) Taking advantage of the bankrupt law does not take away the moral obligation to pay his creditors; but if an honest man avails himself of this law, he may be able to pay in full, and if a Christian man he should do this. If he fails to take advantage of it, he may be crippled for life, and what he makes may be gobbled up about as fast as made by some avaricious creditor, who would take even the bread out of the children's mouths if the law permitted it.*
>
> *Wallace's Farmer, July 14, 1911*

Thirteen years after the enactment of the Bankruptcy Act of 1898, the Des Moines, Iowa periodical's article "Can a Christian Man Go Through Bankruptcy?" encapsulates America's growing acceptance of bankruptcy. According to the anonymous author, when external catastrophes mean that the honest man is unable to pay his lenders, the bankruptcy law offers protection for him and his family. At the same time, it does not provide relief from the "moral obligation" to pay creditors, so the Christian man should still attempt to fully pay his creditors in bankruptcy. Yet just as the honest debtor has a moral obligation to the creditor, creditors have the duty to refrain from harassing debtors. Bankruptcy, therefore, is an escape for the honest debtor who is temporarily unable to pay and is being tormented by an "avaricious creditor" who will not wait for the debtor to get back on his feet.

This column's advice on the morally correct way to employ bankruptcy both echoes critiques that had long stymied the enactment of American federal bankruptcy law while foreshadowing Progressive and Great Depression Era reform efforts. The United States' fourth federal bankruptcy statute was enacted in 1898 largely with Republican votes after vociferous critiques by the Democratic opposition. While advocates of bankruptcy law contended that ensuring that creditors could collect debts across state lines would engender the trust necessary for a national market, opponents argued that “dishonest creditors” would employ it to strip debtors of their assets. The final law only allowed personal debtors to enter into bankruptcy voluntarily.[1] Unless creditors could prove debtor malfeasance to the court, the petitioners’ non-exempt assets would be distributed to creditors and they would receive an immediate discharge of their remaining debts.

Despite subsequent repeal efforts, the law persisted. In the legislative debates leading to the 1938 Bankruptcy Act, attacks on “avaricious creditors” had largely disappeared. As New Deal legislators sought to catalyze credit markets to revive the American economy, what remained was the “honest debtors’ moral obligation” to pay creditors. By the 1920s, as many bankruptcy petitioners were wage-earners who had few assets to distribute to creditors in bankruptcy, legislators agreed to create a voluntary wage-payment system (Chapter XIII) that would allow them to pay their creditors over time. However, unforeseen by the *Wallace’s Farmer* author, standing at the cusp before the expansion of personal credit markets in the United States, this system would not consist of direct payments from debtor to lenders, but rather would be managed by the court. Additionally, many of the users of this system would be Black men. How did personal bankruptcy become a central part of the American political economy and welfare state in the first half of the twentieth century?

Existing accounts for the institutionalization of personal bankruptcy uncover how market change and interest groups, in conjunction with a “pro-debtor” American society, generated political acceptance of bankruptcy law. Skeel details how judges, referees, and trustees organized

[1] Businesses could be involuntarily forced into bankruptcy by petitioning creditors. Nevertheless, given the late nineteenth century emergence of the corporate form (Lamoreaux 1988), the Bankruptcy Act of 1898 did not establish separate chapters for business vs. personal bankruptcy. This dissertation is interested in the construction of “personal bankruptcy”. For an overview of the creation of business and corporate bankruptcy in the United States, see Skeel (2001:48-70, 101-27).

into interest groups to defend the law from repeal. They subsequently ensured that the bankruptcy regime maintained its judicial (rather than administrative) structure through the Depression Era reforms, while "pro-debtor" ideology meant that easy discharges remained for personal petitioners (2001:23-47, 73-100). Hansen and Hansen, by contrast, uncover how state-level legal changes facilitating the expansion of credit markets led the previous political opponents of bankruptcy – farmers and wage-earners – to voluntarily petition for bankruptcy protections. As working-class individuals recognized the benefits of the bankruptcy law, so too did Democratic politicians (2020:37-54). This scholarship has greatly enhanced our understanding of American bankruptcy law. Nevertheless, it does not embed the institutionalization of bankruptcy law in the broader social transformations in American society, including the rationalization of the creditor-debtor relationship (Anderson 2008; Calder 2000) and the nascent construction of the welfare state (Katz 1986:213-55) within a shifting ethno-racial hierarchy (Fox 2012; Rothstein 2017). I contend that these omissions are analytically meaningful. By focusing primarily on macro-level markets and policymakers' debates, past scholarship over-indexes on assumptions (e.g., "pro-debtor ideology") about how social actors statically interpreted dynamic relationships between creditors and debtors.

In examining the social construction of American personal bankruptcy law, this dissertation seeks to illuminate how creditors, debtors, and the state negotiated what is a "fair" credit market and the parameters of American "economic citizenship" (Marshall 1950; Krippner 2017). First, I follow debates about what bankruptcy is for. I uncover how legislative discourse shifted from a framing of bankruptcy as a conflict between creditors and debtors in the late nineteenth century to bankruptcy as a solution to debtors' own misfortune or malfeasance by the Great Depression. I then examine how the rationalization of credit markets shaped the practice of bankruptcy and discourse about bankruptcy. In terms of discourse, I demonstrate that the expansion of “fair” credit markets through state-level Small Loan Laws (SLL) meant that legislators who represented states with high bankruptcy rates became less likely to blame “loan sharking creditors” for personal bankruptcies. Rather, they accepted that debtors were the “cause” of their own bankruptcies. In practice, through reducing real interest rates, SLLs per se succeeded in shifting the relative risks and costs of debt from borrowers to lenders. In particular, SLLs reduced the proportion of personal petitioners among bankruptcy filers. Because of this, in states that also facilitated wage-garnishment, lenders collateralized their risks through debtors’ wages. This resulted in increased personal bankruptcies in states with SLLs and easy wage-garnishment laws. By the Great Depression, wage-earners both commonly petitioned for bankruptcy protections and were seen as the “cause” of their bankruptcies.

In turn, I investigate how New Deal legislators conceptualized which type of insolvents were “creditworthy” and “deserving” of bankruptcy protections and how this influenced the construction of a voluntary wage-earner payment (Chapter XIII bankruptcy) alongside the codification of the immediate discharge (Chapter VII bankruptcy). Since most bankruptcy petitioners were “deserving” white men, legislators created Chapter XIII with the understanding that economically “productive” insolvents would “honorably” pay their creditors over time. By contrast, “unproductive” insolvents could decide to receive an immediate discharge and renewal of their economic citizenship. However, in the decades following the enactment of the 1938 reform, most bankruptcy petitioners elected to receive in Chapter VII’s immediate discharge. I show that Chapter XIII bankruptcy became most commonly employed in states with high bankruptcy rates and significant racial minority populations. Irrespective of their economic incentives, Black bankruptcy petitioners were much more likely than white petitioners to participate in Chapter XIII's payment plans. Overall, this provides evidence that judicial actors utilized Chapter XIII's voluntary payment plans in order to reduce creditors' losses, especially on racially "undeserving" bankruptcies.

This dissertation employs bankruptcy as a lens through which to extend sociological research on credit markets and welfare with political economic scholarship. It shifts attention away from credit access (Krippner 2017; Robinson 2020) and the quality of credit (Charron-Chenier and Seamster 2020) that has animated much sociological research to explore how social actors came to conceive of the corporate lender and individual borrower relationship as a free contract between formally equal parties. As policymakers accepted that citizen-borrowers could responsibly provide for themselves via credit markets, bankruptcy became part of America's "submerged" welfare state (Mettler 2011; Prasad 2012:181-4). Yet this meant that, similar to welfare, policymakers and judicial actors drew upon racialized schemas of "deservingness" in discussions about and in the practice of bankruptcy (Fox 2012; Steensland 2006). Through studying an overlooked element of American economic history, this dissertation furthers our understanding of how personal credit has become a "politically light" tool that promotes individualized – and inequitable – economic citizenship (Quinn 2019:11-15).

What is Bankruptcy?

Bankruptcy law organizes the distribution of insolvent debtors' assets to creditors before releasing the debtor from future claims from creditors (Rasmussen 1991). It is a historically recent tool created by bureaucratic states to deal with insolvency, which is the inability to pay debts. By determining what counts as collateral, it facilitates the rational calculation of risk necessary for mass credit extension (Carruthers 2022; Guseva and Rona-Tas 2001). Furthermore, in shifting the relative risks between creditors and debtors at the point of failure, it also encapsulates social, political, and moral tensions over what a society values (Mann 2002:33; Sullivan et al 2006). Who is bankruptcy for? Who "deserves" a second chance? At what cost?

Insolvency is fraught because credit is a statement of trust between lender and borrower. Since Mauss's (2011 [1925]) seminal argument that human social relations are reproduced through reciprocal exchanges, scholars have articulated how credit is a promise in time. For the debtor, it brings future purchasing power to the present; for the creditor, it transfers a promise of profit to the future. In both circumstances, there is a shared expectation that an economic future is possible (Beckert 2013). At the same time, the relationship between creditors and debtors is inherently inequitable. Graeber argues that credit is an exchange between formally equal parties. Yet until repayment is complete, this unfulfilled exchange leaves the borrower in a state of inequity with the lender (2011:120-1) and subject to their moral and economic evaluation (Polillo 2011). This is reflected in Lazzarato's (2012:104) conception of the "indebted man" in contemporary societies who is disciplined into constantly "working on [him]self" to successfully navigate and utilize financial markets (Fligstein and Goldstein 2015). There are points, however, when this moral inequity between creditor and debtor is reduced. Krippner (2017) underlines how collateral, through ensuring payment for the lender, helps to return the relationship to a state of formal exchange. Her analysis of the 1970s Community Reinvestment Movement's argument that their bank deposits constituted the banks' capital shows that claims to property as collateral is not an objective reality, but rather is socially constructed.

Throughout most of human history, when the statement of trust between creditor and debtor was backed by a personal relationship, the inability to pay back one's debts was seen as an individual moral failing deserving of opprobrium and punishment. As such, the ultimate collateral was the debtor's body. In the ancient West, legal texts from the Code of Hammurabi to the Roman Twelve Tables dictate that the insolvent debtor be sold into slavery to repay his debts (Levinthal 1918). Only in the nineteenth century's shift towards extending credit within market exchanges apart from personal relationships, did imprisonment for debt, with its assumption that insolvency necessitated bodily punishment, disappear in the West (Peebles 2013; Roehrkasse 2021). Nevertheless, historic punitive debtor relations were often counterbalanced by periodic abrogation of debts, lifting the weight of debt from debtors and providing freedom to debt-slaves. The most famous of these is the Book of Leviticus's proscription of "jubilees" every seven years (Graeber 2011:185).

In contrast to earlier insolvency laws' explicit focus on punishment and forgiveness, bankruptcy law implements an instrumentally rational process for organizing property claims among creditors and between the creditor and debtor (Weber 2003[1905]). An early example of bankruptcy comes from sixteenth-century Antwerp. As credit networks became increasingly complex, trust encoded in creditor-debtor relations became backed by contracts that allowed creditors to litigate how to distribute an insolvents' assets (De ruysscher 2013:185-93). Bankruptcy laws reduce creditors' costs and relative risks because creditors no longer needed to monitor debtors' finances and rush to extract payment before they fell into insolvency (Rasmussen 1991:1569-78). This legal framework generates the trust necessary for deep and impersonal capital markets by facilitating the transformation of uncertainty into calculable risk (Carruthers 2022:76-9, 205-29; Guseva and Rona-Tas 2001). Rationalization does not spell the end of moralized creditor-debtor relations, however. Individual stratification in "fair" markets justifies new moral judgements, in which successes or failures result from social actors' own good or bad actions (Fourcade and Healy 2017).

In determining what can be collected from insolvent debtors, bankruptcy laws also shape the social construction of property and its value as collateral (Carruthers and Ariovich 2004). The acceptance of formally free labor sold in markets and end of chattel slavery meant that the human bodies could no longer be employed as collateral (Gonzalez et al. 2017; Pardo 2017). Despite this, in the process of commodifying money, American personal bankruptcy laws reciprocally constitute property rights for labor and land (Polanyi 2001[1944]:75-6; Goodman 1993). Specifically, the ability to collect wages and property in bankruptcy proceedings (and, conversely, limitations in the form of wage and property exemptions) affects their ability to produce capital through being used as collateral (Bittmann 2021). In turn, in contemporary America, disadvantage in credit markets is transferred (via credit scores) to harm debtors' labor market outcomes (Kiviat 2019; Maroto 2012).

While the coercive powers of states have long been central to upholding creditor-debtor relationships (Graeber 2011), bankruptcy laws are a new dimension of state power to rationalize the relationships among citizen-subjects (Kagan 1984:340-5). Tensions over the benefits of market rationalization recurred in the enactment of bankruptcy law in the United States. The United States Constitution grants the federal government the authority to enact bankruptcy laws (Warren 1935:3-9). In response to economic crises, bankruptcy laws were enacted in 1800, 1841, and 1867. Throughout the nineteenth century, Northeastern proponents of bankruptcy law wrestled with largely Southern and Western opponents over whether federal bankruptcy, with rational debt collection across state lines, would provide relief to "honest" business debtors and spur the national economy or be utilized by creditors to destroy independent republican manhood. These concerns, alongside complaints of inefficient administration of debtors' estates, led each bankruptcy law to be repealed (Balliesen 2001; Mann 2002; Priest 2021:146-52). A similar political dynamic surrounded the enactment of the Bankruptcy Act of 1898. Notwithstanding longstanding debates, by the 1930s, this conflict had all but disappeared, as Americans universally accepted the symbolic power of the federal government to support national credit markets through bankruptcy laws (Loveman 2005).

How did bankruptcy become a broadly accepted part of the American political economy between the late nineteenth century and the Great Depression? It is not because credit markets were de-moralized (Fourcade and Healy 2007), which is apparent in personal bankruptcy petitioners' experiences of "stigma" in contemporary America (Sullivan et al. 2006; Thorne and Anderson 2006). Yet past scholarship on bankruptcy during the early twentieth century overlooks the moral and social dimensions of bankruptcy to explain its institutionalization as a political shift driven by credit market expansions and interest groups (Hansen and Hansen 2020:37-54; Skeel 2001:80-100). In comparison, credit market scholarship highlights how credit access in the post-World War I period not only expanded to wage-earners (Olney 1989:86-134), but also was rationalized with "scientific" interest rates (Anderson 2008:285-6). This was associated with shifting moralizations of debt as for "consumers" rather than solely for "producers" (Calder 2000:237-61). As such, by the Great Depression, policymakers saw facilitating credit use as a practical tool to support social welfare and restart the American economy (Hyman 2011:45-72). These studies suggest that a focus on interest group politics and market expansion is insufficient to understand the popularization of personal bankruptcy. Rather we should be attuned to how social actors conceived of the creditor-debtor relationship, in light of rationalizing credit markets backed by new forms of collateral.

Theoretical Contributions

Political Economy

Political economic research on bankruptcy demonstrates how state legal frameworks shape how creditors and debtors maximize their utility. For debtors facing insolvency, the decision to petition for bankruptcy relates to the level of household exemptions (Fay et al. 2002). In turn, the choice to petition for Chapter VII's immediate discharge versus Chapter XIII's payment plans is associated with debtors' incentives to protect property from collection in Chapter VII (Domowitz and Sartain 1999). Creditors respond to debtors' actions through changing the amount and cost of credit (Gross et al. 2019). This scholarship illustrates how credit extension and bankruptcy is a negotiation between creditors and debtors.

The role of economic incentives is apparent in shaping whether individuals experiencing insolvency decide to petition for bankruptcy protections. For example, Fay, Hurst, and White (2002) examine how state-level laws that determine how much income and property are exempted from collection in bankruptcy shaped Americans' bankruptcy decisions between 1984 and 1995. They show that increases in the debtor's financial benefit of bankruptcy is associated with significant increases in the personal bankruptcy rate. Yet following the enactment of the 2005 Bankruptcy Abuse Prevention and Consumer Protection Act (BAPCPA), which instituted a means-test directing individuals with above state-median incomes to Chapter XIII bankruptcy, raised filing fees, and limited property exemptions in bankruptcy, insolvents' incentives had changed. The increased costs of petitioning for bankruptcy and reduced ability to shield assets from creditors meant that insolvent individuals became less likely to petition for bankruptcy. By contrast, they became more likely to default on their home mortgages (Li et al. 2011).

Among bankruptcy petitioners, the desire to protect non-exempt property from collection shapes the decision to file for Chapter XIII's wage-earner payment plans versus an immediate discharge through Chapter VII. Since Chapter VII bankruptcy requires the petitioner to distribute all non-exempt assets to creditors, Domowitz and Sartain (1999) find that petitioners who hold non-exempt home equity are much more likely to shield this asset from collection through entering into Chapter XIII's payment plans. Chapter XIII petitioners subsequently employ their payment plans to pay their mortgage debts, instead of paying down other unsecured debts (White and Zhu 2010). Similar to home equity, bankruptcy petitioners also file for Chapter XIII bankruptcy in order to protect their equity in automobiles from distribution to creditors, especially when they need to drive to work (Morrison et al. 2020). Overall, political economic scholarship on the bankruptcy filing decision and chapter decision illustrate how insolvent individuals "strategically" maximize their debt relief.

Political economic scholars also demonstrate that bankruptcy laws (and debtors' actions) affect creditors' incentives and market decisions. Though insolvent debtors may have been able to protect substantial assets in states with larger home property exemptions under the pre-BAPCPA bankruptcy regime, this ultimately led to reductions in credit access among low-income borrowers (Gropp et al. 1997). As the 2005 BAPCPA raised the costs of petitioning for bankruptcy for filers and directed more petitioners to Chapter XIII, it is associated with lower levels of debt relief (Norberg and Velkey 2006:476) and more long-term insolvency among Americans (Hansen and Hansen 2020:159-60). By reducing creditors' losses in the bankruptcy system, it may have simply allowed financial services companies to increase their profits (Simkovic 2009). By contrast, Gross et al. (2019) contends that BAPCPA resulted in lower interest rates among all credit card holders, though especially among the subprime. In particular, they show that a 1% decline in filing risk is (among credit score segments of 10 points) associated with a 0.07% decrease in annual interest rates. This research reveals that bankruptcy laws, through shaping creditor relative risks, affect the size of credit markets and the costs of credit.

This literature contributes to our understanding of how individual debtors and creditors navigate legal regimes to maximize their utility. Yet limited data from the early twentieth century has hampered the application of these insights. Hansen and Hansen (2020:49-50) demonstrate that bankruptcy rates increased in states that expanded their credit markets through Small Loan Laws (SLL) and had laws that facilitated lender garnishment of debtors' wages. They interpret this as the result of debtors' being incentivized to petition for bankruptcy when the relative costs of bankruptcy (through escaping wage garnishment) are decreased (see Fay et al. 2002). Nevertheless, absent comparison data on debt loads, it could also be that debtors' likelihood of petitioning for bankruptcy was stable. By making it easier for creditors to collateralize their risks through debtors' wages, aggressive garnishment laws may have interacted with SLLs to facilitate the expansion of credit markets (see Gross et al. 2019). Turning to the bankruptcy chapter decision, the state-level spread of Chapter XIII bankruptcy in the post-World War II period is unexplained by state-level economic indicators and exemptions that affect debtor incentives (Hansen and Hansen 2020:81-91). As such, it is necessary to employ individual petitioner data to understand the bankruptcy chapter decision during this time period.

In terms of the politics of bankruptcy, in assuming economically rational actors operating within a dyadic relationship of creditors and debtors, political economic research is unattuned to how legal and market changes affected American policymakers' conceptions of bankruptcy. This includes how views of bankruptcy transformed in the early twentieth century from being seen as a tool of creditor oppression to a mechanism for debtors to have a second chance in markets. Additionally, given insolvents' incentives to maximize their debt relief, this scholarship cannot explain Great Depression Era policymakers' decision to create a wage-earner payment system (Chapter XIII bankruptcy) on a purely voluntary basis.

Sociology of Credit

Sociologists of credit have shed light on how states construct and shift the relative risks of debt between creditors and debtors. States are central to commodification of money, both directly through state finance, but also as a byproduct of the commodification of land and labor (Polanyi 2001[1944]). This triadic conception of the relationships between creditors, debtors, and states enhances our understanding of how state construction of rational credit markets naturalizes an inequitable relationship between creditors and debtors (Krippner 2023; Graeber 2011), while also codifying racial inequities into the structure of credit markets (Robinson 2020).

States not only facilitate the expansion of personal credit markets, but also who participates in these markets and whether they produce economic precarity. This is apparent from late twentieth-century American policymakers' deregulation of financial markets in order to avoid politically unpalatable distributional choices (Krippner 2011). This financialization of the American economy led to rising levels of debt held by Americans (Dwyer 2018). In turn, high personal debt loads put individuals at increased risk from adverse life events, such as health crises or job losses, resulting in insolvency and the decision to petition for bankruptcy protections (Maroto 2015). This scholarship highlights a broader "risk shift", in which individuals' reliance on credit markets to support their needs increases the costs (via interest payments) and risks of life in the contemporary United States (Hacker 2008). Yet whether credit market participation produces economic precarity is largely a function of borrowers' class position (McCloud and Dwyer 2011). For example, in comparison to Americans, only higher income Danes utilize credit in order to smooth their consumption following job losses (Wiedemann 2021). Beyond shaping who holds debt, states can further shift who bears the relative risks of debt within markets. Martin (2022) examines state-level non-bankruptcy debt exemption laws to show how larger debt exemptions are associated with reduced economic precarity for middle-income families. This scholarship underlines how both the construction of financial markets and individuals' experiences of markets are the result of political choices.

Central to the growth of personal credit markets in the United States is the rise of algorithmic credit allocation, which simultaneously hides categorical inequalities from view and demobilizes political challenges against creditors. Since bankers' realization in the 1930s that a profitable personal loan business could be conducted through avoiding individual determinations of "character" in lieu of mass approvals based on stable employment, finance companies have shifted towards a more rational process of credit allocation. This includes the 1970s creation of algorithmic credit models that allowed for fine-grained pricing of risk of default (Hyman 2011:78-97, 206-19). Following the enactment of the Equal Credit Opportunity Act in 1974, these models exclude race and gender (among other protected categories) variables, which means that socially relevant groups are obscured from view and are replaced by apparent "individual risks" (Krippner 2023).[2] Krippner (2017) contends that this has hampered recognition of the inequitable creditor-debtor relation and stymied organizing against persistent categorical

[2] Scholars have demonstrated how gender was an important element of the construction of American credit markets, through both the feminization of debt and construction of women as "uncreditworthy" (Calder 2000:212-35; Hyman 2011:7, 36-42, 191-219; Krippner 2017). Women's exclusion from market credit throughout this time period means that they are a salient omission from bankruptcy petitions (Chapter 2) and discussions about bankruptcy. I highlight the framing and practice of bankruptcy as for the "workingman" with a dependent wife in Chapter 3.

inequalities in credit cost and access. Similarly, Fourcade and Healy (2017) theorize how rationally-assigned market classifications become imbued with moral judgments that link classification situations to actions and tastes. Racial inequities in credit access, for instance, are easily seen as the result of objective differences in credit scores, which themselves are downstream of individual differences in work ethics, frugality, financial literacy etc.

Other scholars contend that categorical inequalities in credit markets are more directly produced through the “whiteness of credit” (Robinson 2020:975). From the early twentieth century (Olney 1998), into the twenty-first century United States (Killewald 2013), Black Americans use less credit than white Americans. Theories of “racialization accounts” argue that this is downstream of how social actors imbue credit with racial meanings (Wherry and Chakrabarti 2022:135-7). Beyond rational market evaluations of borrower “creditworthiness”, this means that race shaped how policymakers construct markets. For example, 1930s Federal Housing Administration (FHA) underwriters outlined (in red) non-white areas as “high risk”, which limited access to FHA-insured low-interest rate mortgages to white borrowers (Rothstein 2017:39-58). The whiteness of credit has persisted after the formal end of “redlining”. Robinson (2020) highlights how skeptics of 1970s FHA efforts to finance rental housing for Black people articulated critiques using the language of “creditworthiness”. This has resulted in credit markets that are racially segmented, with predatory lending institutions targeting racial minority borrowers (Charron-Chenier and Seamster 2020; Small et al. 2021).

In foregrounding the role of state actors in constructing credit markets, the sociology of credit highlights how states can shift the relative risks borne by lenders and individual citizens in markets. It also informs how modern algorithmic allocation of credit obscures the role of categorical inequalities within markets, even as these differences continue to stratify credit access and quality. At the same time, most research in this literature focuses on credit allocation in the second half of the twentieth century.

I argue that to understand inequities in rational credit markets it is essential to examine the acceptance of personal bankruptcy law. In the early twentieth century, alongside discussion of how to reduce debtors' relative risks in credit markets (Nugent 1933; Sturges and Cooper 1933), social actors came to accept the relationship between corporate lenders and individual borrowers as a free contract. This occurred despite the prevalence of character and network-based determinations of "creditworthiness" that should emphasize the inequitable nature of the relationship. This scholarship also does not offer expectations about why subsequent Chapter XIII wage-earner payment plans were voluntary. In particular, if most bankruptcy petitioners were white men, "creditworthiness" discourse might lead policymakers to agree that payment plans as the default option would help them regain creditors' trust. On the whole, it is unclear how these insights on risk and the whiteness of credit should be applied to understand the legal architecture underpinning modern American credit markets.

Political Sociology

Political sociologists situate the construction of credit markets within broader policymaker efforts to help citizens provide for their needs, while promoting economic growth. In the United States' context, a nineteenth-century crisis of "overproduction" and efforts to spur consumer demand paradoxically led to the creation of a liberal welfare state in which citizens' life chances remain closely related to their position in land, labor, and capital markets (Esping-Anderson 1990:21; Prasad 2012). Racialized discourses of "deservingness", furthermore, have catalyzed a shift in the direct welfare state towards limited provisioning and a transformation of recipients into independent “worker-citizens” (Fox 2012; Soss et al. 2011).

Bankruptcy is a core part of America’s liberal welfare state through allowing individuals who “failed” in markets an opportunity to recover their economic citizenship. It is also an outcome of America’s “submerged” state, in which policies such as tax exclusions and indirect subsidies (e.g., non-taxable health insurance) replaces direct government provisioning of citizens’ needs in lieu of the private market (Mettler 2011). As credit markets are a “politically light” tool that allows the government to generate economic development while avoiding distributional tensions inherent in direct spending, they are central to the submerged state. A prime example of this is the 1960s “spinning off” of Fannie Mae from the federal government and allowing it to issue Mortgage-Backed Securities in order to reduce government deficits (Quinn 2017; Quinn 2019:11-21). The result of these political choices is that Americans rely on credit markets, rather than direct government welfare, to support investments and provide for their needs. Bankruptcy, therefore, is a key part of the American safety net, through allowing individuals another chance to support themselves in markets (Prasad 2012:181-4, 227-45; Sullivan et al. 2000:260). Overall, this research highlights the importance of examining American credit markets and welfare as structurally complementary elements of the American political economy (Wiedemann 2021).

Similar to the role of racism in estimations of “creditworthiness”, scholars of welfare detail how racial and gendered schemas shaped the construction of America’s direct welfare state. Political sociology scholarship on welfare has demonstrated the role of ideas in shaping who is seen as “deserving” of state support apart from work (Somers and Block 2005; Steensland 2006). Yet delineations of “deservingness” in the United States are intertwined with race and gender. Historically, the United States' first welfare programs in the late nineteenth and early twentieth centuries were for older Northern men in the form of Civil War Pensions and mothers with dependent children (Skocpol 1992). During the Great Depression, the federal government constructed and rationalized welfare efforts through temporary (e.g., Works Progress Administration) and long-term (e.g., Social Security) programs (Katz 1986:213-55). However, these efforts were largely oriented towards white men, including non-citizen European immigrants. By contrast, through discriminatory state-level administration and exclusions for farm and domestic workers in the Social Security Act of 1935, Black Americans and Mexican immigrants were framed as "self-sufficient" or "dependent" respectively and disproportionately excluded from program benefits (Fox 2012).

As racial minorities have accessed welfare benefits, these programs have become racialized. Soss, Fording, and Schram argue that modern welfare programs function as a form of "neoliberal paternalism", in which welfare does not strictly de-commodify individuals' life chances, but rather aims to turn "dependents" into independent "worker-citizens" (2011:1-52, 233-61). Racial politics have been central to this transformation (Brown 2013). Following the enactment of the Personal Responsibility and Work Opportunity Act in 1996, the strongest state-level predictor of greater restrictions on Temporary Aid for Needy Families eligibility is the proportion of program recipients who are Black (Soss et al. 2011:112-40). Experimental evidence suggests that this process is driven by racial status threats, as white Americans support restrictions on welfare programs in response to information about rising minority population shares and decreasing racial income gaps (Wetts and Willer 2018). Historical and contemporary scholarship uncovers how America's racial dynamics have shaped the extent and configuration of its direct welfare state.

There is also evidence of discrimination in America's submerged welfare state. In particular, Black Americans are more likely to have their bankruptcy petitions rejected (Dobbie and Song 2015). Among petitioners, Black people are also more likely to be directed by their attorneys towards Chapter XIII bankruptcy's payment plans than white Americans, even if it is not in their best interests (Braucher et al. 2012; Cohen and Lawless 2012). Similarly, Patillo and Kirk's (2021) examination of payment plans for court fines and fees reveals how the judicial system can trap individuals, largely people of color, in debt relationships in time (Storms and Verschraegen 2019). Other scholarship contends that contemporary Chapter XIII bankruptcy serves a tool to reduce creditors' losses (Coco 2014). Yet this research does not uncover whether categorical inequalities affected the construction of these systems or if discrepant outcomes are simply the result of discriminatory actions by judicial actors or creditors.

Political sociology research embeds our understanding of credit markets in light of America's "submerged" welfare state and sheds light on the cultural discourses that stratify welfare provisioning. Nevertheless, it has not examined how discourses of "deservingness" from the direct welfare state are manifest in the "submerged" welfare state, or if social actors draw upon discourses of "creditworthiness". The construction and practice of a voluntary Chapter XIII is an excellent case to extend our understanding of these discourses. In particular, assuming that most bankruptcy petitioners in the 1930s were white men, "deservingness" discourses' emphasis on relief makes the creation of these voluntary payment plans inexplicable. However, it would suggest that once Black Americans began petitioning for bankruptcy protections, judicial actors would attempt to limit debt relief to these "undeserving" petitioners.

Integrating political economic research on bankruptcy with the sociology of credit and political sociology, it is clear that the state, through bankruptcy, shifts the relative power between creditors and debtors as they negotiate the terms of their exchange. As part of America's "submerged state", bankruptcy law likely incorporates discourses and practices of "creditworthiness" and "deservingness" from credit markets and the direct welfare state respectively. Despite the success of political economic scholarship, data limitations make it impossible to fully examine whether contemporary insights apply to the early practice of American bankruptcy (Hansen and Hansen 2020). Additionally, sociological research on credit and welfare has not examined how personal credit became seen as a free exchange collateralized by wages (Bittmann 2021; Krippner 2017), with payment plans in bankruptcy accepted as a putatively voluntary choice for individuals who failed in markets.

Dissertation Outline

This dissertation integrates social scientific and historical scholarship to investigate the institutionalization of American personal bankruptcy. It is structured as four articles[3] that iteratively examine the discourse and practice of bankruptcy from the Gilded Age to the post-World War II United States. These articles do not provide a complete narrative. Nevertheless, each article sheds light on a different aspect of how states, creditors, and debtors advocated, resisted, and negotiated the rationalization of personal credit markets and provisioning of individuals' social welfare. As part of this process, they struggled to solve a series of social and moral problems, including who was to "blame" for failed credit relationships, how lenders could collateralize their risks, which insolvent bankruptcy petitioners "needed" and were "deserving" of a second chance in markets, and what to do when "undeserving" individuals took advantage of bankruptcy protections.

[3] As a note, structuring this dissertation as articles means that historical background information and theoretical framings are repeated.

The first chapter traces how American legislators' conceptions of bankruptcy shifted between the 1880s and 1930s. In the late nineteenth century, lawmakers conceived of bankruptcy as a conflict between creditors and debtors. Yet by the New Deal Era, this debate had largely disappeared. Lawmakers accepted that bankruptcies were morally "caused" by insolvent debtors, absent creditor oppression. I then examine how market rationalization through the enactment of Small Loan Laws (SLL) led to this conceptualization of bankruptcy as about debtors. This chapter employs a computational grounded theory analysis of the Congressional Record, alongside archival data from the Russell Sage Foundation. I demonstrate that as bankruptcy rates rose in SLL states, federal legislators became less likely to elaborate conflictual framings of the creditor-debtor relationship. This research illustrates how the construction of rational credit markets helps to solve perceived market failure problems.[4] By generating a political acceptance of morally inequitable creditor-debtor relationships, blame for bankruptcies is shifted to debtors.

In the second chapter, I study how the rationalization of personal credit markets and wage-garnishment laws led to the emergence of the wage-earner as the prototypical bankruptcy petitioner. To conduct these analyses, I employ a 1918-19 survey of working-class male debtors alongside a new sample of bankruptcy petitioners. I confirm past analyses on bankruptcy, by showing how personal bankruptcies constituted a smaller proportion of bankruptcy petitioners in states with SLLs. Bankruptcy petitions were more likely to be personal in states with SLLs that also allowed for lender wage-garnishment. Credit analyses reveal that early efforts to expand rational credit markets through Small Loan Laws (SLL) are associated with increased credit use only when states also facilitated lender garnishment of debtors' wages. These analyses

[4] Market failures are when markets produce results that are not in the broader interests of society. While theorized in economics in the 1950s, social actors have long wrestled with the causes of "failed" markets and potential solutions (Marciano and Medema 2015).

collectively show that high bankruptcy rates in states with SLLs and easy wage garnishment is not the result of debtors strategically avoiding wage garnishment through petitioning for bankruptcy protections. Rather, creditors became more likely to extend loans in states with rational credit markets when they could collateralize their risks through garnishing debtors' wages. This suggests that state mediation of the relative risks of debt through SLLs and wage-garnishment laws indirectly facilitated the transformation of wages into capital.

In the third chapter, I return to political debates over bankruptcy to investigate what type of insolvent individual was seen as "creditworthy" and "deserving" of bankruptcy protections. To answer this question, I employ a computational abductive approach on all floor speeches from the U.S. Congressional Record during the 1930s, relevant committee hearings on bankruptcy, and a wide range of media and trade journals during the Great Depression. I find that social actors engaged in "moral accounting" of insolvents' "deservingness" of bankruptcy protections and prospective labor market "productivity" that intersected with occupation, race, and gender. Yet categorical discrimination in credit markets meant that only white men had enough debt to petition for bankruptcy protections. As such, legislators viewed insolvents as "deserving" individuals who would voluntarily pay their debts under a court collection stay if they remained economically "productive." White, male salaried workers' honorable choices would promote the generalized trust necessary for credit markets while reserving immediate debt relief for the truly needy, such as farmers and soldiers. These findings illustrate how racialized cultural categories influenced the development of American credit policy in a manner analogous to the welfare state.

The final chapter returns to the practice of bankruptcy to examine how the racial "deservingness" of bankruptcy petitioners influence how judicial actors determine the temporal and monetary costs of a “second chance”. This chapter draws upon Chapter XIII usage percentages rates by state between 1947 and 1955, as well as a new dataset on bankruptcy petitioners from the Chapter XIII capital of America: Birmingham, Alabama before and after World War II. State-level analyses reveal that states where bankruptcy petitioners were more elect to participate in Chapter XIII were those with high bankruptcy rates and large racial minority populations. Individual-level analyses of Birmingham bankruptcy petitioners show that being classified as Black is the strongest predictor of choosing to file for Chapter XIII instead of Chapter VII’s immediate discharge. These results are inconsistent with interpretations of Chapter XIII use as based on petitioners’ economic incentives. By contrast, they suggest that bankruptcy referees and lawyers directed “undeserving” bankruptcy petitioners, especially Black men, to Chapter XIII so that they would pay back their lenders. This research extends our understanding of credit markets by informing how the bankruptcy system functions as part of America’s submerged welfare state to racially shift the relative risks of debt between creditors and debtors.

The conclusion synthesizes this dissertation’s empirical findings, before highlighting its theoretical and political implications for understanding credit and welfare in contemporary America. Finally, I discuss potential avenues for this project’s future development.

Chapter 1: Victims Without Perpetrators: How Small Loan Laws Led Debtors to "Cause" Bankruptcies

"Paeans are sung in praise of the honest debtor, condolence at the unfortunate condition of the debtor class is the potent manifestation of the advocates of this bill, but underneath all these protestations is (sic) the hidden but keen knife of the Shylock to take both blood and flesh of these unfortunates whose condition he so much bewails," railed Representative William Denson (D-AL) against the Torrey Bankruptcy Bill (1893:2806).[5] By contrast, Representative William Knox (R-MA) contended that the purpose of the proposed law would be that, "the honest debtor who shall honestly surrender his property to be divided among his creditors shall be discharged from the obligations of indebtedness, and that the honest creditor who has the debt shall receive his due and fair proportion of the estate" (1896:4691).[6] Across late nineteenth century American legislative debates on federal bankruptcy law, both legislators in favor and against bankruptcy (and its voluntary vs. involuntary provisions) overwhelmingly drew upon a shared framing of bankruptcy as a conflict between "creditors" and "debtors". Ultimately, a modified form of the Torrey Bill was enacted as the Bankruptcy Act of 1898, largely over Democratic opposition. The law created a judicial process that allowed insolvent debtors to receive an immediate discharge absent creditor proof of malfeasance. While both creditors and debtors could initiate bankruptcy proceedings, creditors were prohibited from filing involuntary bankruptcies against wage-earners and farmers (Skeel 2001:28-44).

[5] In Topic Model 1 (described below), the topics above 5% include Creditor-Debtor (59.2%), Economic Management (10.1%), Monetary Policy (8.4%), and Individual Narratives (7.5%).
[6] In Topic Model 1, the topics above 5% include Creditor-Debtor (66.9%), Legislative Debate (6.9%), and Economic Management (6.2%).

Despite the conflictual process that led to the enactment of the 1898 Bankruptcy Act, bankruptcy became a widely accepted part of the American political economy in the early twentieth century. Historical scholarship has examined the political economic factors that relate to the stabilization of the federal bankruptcy regime (Hansen and Hansen 2020). In particular, as expanding credit markets led farmers and wage-earners to file for bankruptcy protection, the bankruptcy bar was able to draw upon "pro-debtor" ideology to advocate on behalf of the law (Skeel 2001). The early twentieth century United States also experienced major social and economic changes, especially the rise of the corporate form within an urbanizing economy (Lamoreaux 1985). These transformations spurred reform movements (Cohen 1990; Witt 2004), including elite efforts to expand credit access (Anderson 2008) and Populist advocacy for straight debt relief (Zackin 2020). In uncovering the origins of American personal credit markets (Anderson 2008), scholars argue that the expansion of personal credit was a policy choice to ease distributional tensions (Prasad 2012; Quinn 2019). State and federal credit policies helped to promote demand for consumer goods while allowing individuals to support their needs apart from direct government provisioning of their welfare (Fleming 2018; Hyman 2011).

Past scholarship on credit and bankruptcy has not solved the puzzle of how credit, as well as the potential for a "second chance" for insolvent debtors through bankruptcy, became seen as a necessary component of economic citizenship in the United States. I contend that to understand the political acceptance of federal bankruptcy law, we need to examine how rational personal credit markets became conceived as central to the American political economy. Other research on contemporary credit markets explores how algorithmic credit scoring results in political demobilization against creditors (Fourcade and Healy 2013; Krippner 2017). Yet this literature also does not explain how credit relationships between individuals and corporations were accepted as a free contract between formally equal parties. Why was a view of "bankruptcy" as a conflictual relationship between creditors and debtors replaced by a conceptualization that focused attention on "bankruptcy" as "caused" by debtors, largely apart from creditor oppression? How does this shift relate to the expansion of personal credit markets?

To answer these questions, I employ a computational grounded theory approach (Nelson 2020). I conduct Structural Topic Modeling (Roberts et al. 2014) on a corpus of all legislative floor speeches in the U.S. House and Senate that referred to "insolvency" or "bankruptcy" between 1879 and 1939, alongside qualitative analysis of legislative records and archival materials from relevant policy actors, including the Russell Sage Foundation. Topic models are useful to examine framing, or the narratives that shape interpretations of the world and the scope of plausible actions (Abolafia 2004:351; Evans and Aceves 2016:34-5). These analyses first help me to delineate how conflictual framings of the creditor-debtor relationship in the late nineteenth century existed as part of efforts to determine whether creditors or debtors "caused" insolvencies. This was as part of Republican efforts to resolve the credit market failure of poorly defined property rights across state lines through federal bankruptcy law. By contrast, by the Great Depression, legislators largely framed bankruptcy as about debtors. These analyses confirm historical scholarship that partisan conflict over bankruptcy largely disappeared in the first decades of the twentieth century (Hansen and Hansen 2020; Skeel 2001).

I then examine how these shifting framings of bankruptcy relates to the expansion of personal credit markets. I draw on scholarship on the sociology of markets (Fourcade and Healy 2017) to highlight how creditor-debtor relationships are morally inequitable (Graeber 2011; Lazzarato 2012). Placing discourse on bankruptcy in relation to the state-level practice of bankruptcy and credit markets, I uncover how legislators elaborated framings of blame in bankruptcy to shift the symbolic boundaries of the “worthy” versus the “unworthy” (Tilly 2008:11). Empirically, I demonstrate that as bankruptcy rates increased, federal lawmakers who represented states with SLLs became *less* likely to employ a framing of bankruptcy as a conflict between creditors and debtors. I argue that the expansion of rational personal unsecured credit markets that proscribed “loan sharking” creditor behaviors led legislators to accept that creditors were not the primary cause of debtor insolvencies. Therefore, they attributed “responsibility” for bankruptcy filings to debtors who failed due to individual misfortune or malfeasance.

This finding has implications for our understanding of the moral economies of creditor-debtor inequality and the expansion of American credit markets. I incorporate scholarship on blame (Tilly 2008) to show how the expansion of rational credit markets serves to legitimize an inequitable creditor-debtor relationship (Graeber 2011). My findings also speak to research on the political foundations of credit markets. Past scholarship has examined the state-level antecedents to the New Deal welfare state and credit market expansions (Anderson et al. 2015; Fleming 2018; Witt 2006). In examining the linkage between state-level credit market expansions and federal legislators’ understanding of bankruptcy, I analogously show how Progressive Era state credit laws helped to individualize failure and thereby laid the groundwork for New Deal Era federal credit policy (Prasad 2012). Finally, I deepen historical scholarship on bankruptcy by demonstrating that neither rising bankruptcy rates nor credit market expansions alone led to the acceptance of bankruptcy. This article’s examination of how individuals are blamed for bankruptcies has political implications both for the 2005 retrenchment of American bankruptcy protections (Sullivan et al. 2006), as well as how market-oriented reforms can stymie broader calls for social change.

Theory and Background:

The Institutionalization of American Personal Bankruptcy

Insolvency, or the inability to pay back debts, is as old as credit. Throughout human history, societies have generally dealt with insolvency through punitive measures, such as imprisonment or enslavement (Graeber 2011; Mann 2002:78-108). However, bankruptcy is a historically recent legal mechanism that allows for the discharge of the insolvent's debts. Scholars have argued that it emerged in early modern Europe to promote debt renegotiation and prioritize the distribution of debtors' assets to creditors. In doing so, bankruptcy generates the trust necessary to expand credit networks (De ruysscher 2013:185-93). Other scholars also emphasize cultural shifts towards free economic exchanges that led reformers and legislators to agree that breaching private contracts was an insufficient reason for imprisonment (Peebles 2013; Roehrkasse 2021). Students of early twentieth century American bankruptcy have elaborated political economic arguments that credit market expansions and rising bankruptcy usage led to an acceptance of personal bankruptcy.

Throughout the nineteenth century, Americans remained divided by the necessity and parameters of bankruptcy. Though Article 1 of the U.S. Constitution authorizes the Federal government to enact uniform bankruptcy laws, the United States repeatedly enacted and repealed bankruptcy statutes across the nineteenth century (Warren 1935:3-9). While the 1800, 1841, and 1867 Bankruptcy Acts were enacted after economic downturns and the Civil War, all were ultimately repealed (by 1803, 1842, and 1878 respectively). While proponents of bankruptcy emphasized the need of debt relief to help businessmen reenter the American economy, opponents criticized the cost of the administrative system, the growing scope of federal power, and the ability of Eastern creditors to press illiquid Southern and Western traders into bankruptcy proceedings (Balleisen 2001:101-33; Skeel 2001:23-32).

Similar conflicts threatened to stymie the enactment of America's fourth federal bankruptcy statute: the Bankruptcy Act of 1898. Though the Panic of 1893 contributed to efforts to enact a uniform bankruptcy law (Warren 1935:129-52), Populists continued to vociferously challenge the necessity of bankruptcy or promote a voluntary-only bankruptcy law.[7] Nevertheless, Republicans pushed for the creation of bankruptcy as a legal tool to ensure that creditors would be able to collect payments across state lines. They argued that it would resolve a market failure caused by insecure property rights and ultimately reduce conflicts among creditors racing to collect payment from debtors. The final Act created a judicial system that facilitated the immediate distribution of assets and discharge of debts if the creditor could not find proof of malfeasance. It included both voluntary and involuntary bankruptcy; however, only insolvent people who were engaged in business (not farmers or wage-earners) could be brought into bankruptcy involuntarily. States also retained the authority to determine the bankrupt's exempted assets (Skeel 2001:35-43). Nevertheless, the bill remained highly partisan, with over 80% of Democratic legislators voting against the final bill (Hansen and Hansen 2007:211-2).

[7] In voluntary bankruptcy, debtors can petition for bankruptcy protections. In involuntary bankruptcy, creditors can initiate bankruptcy proceedings.

Figure 1.1A: Personal Bankruptcy Rates per 10,000 by Occupation, 1899-1935

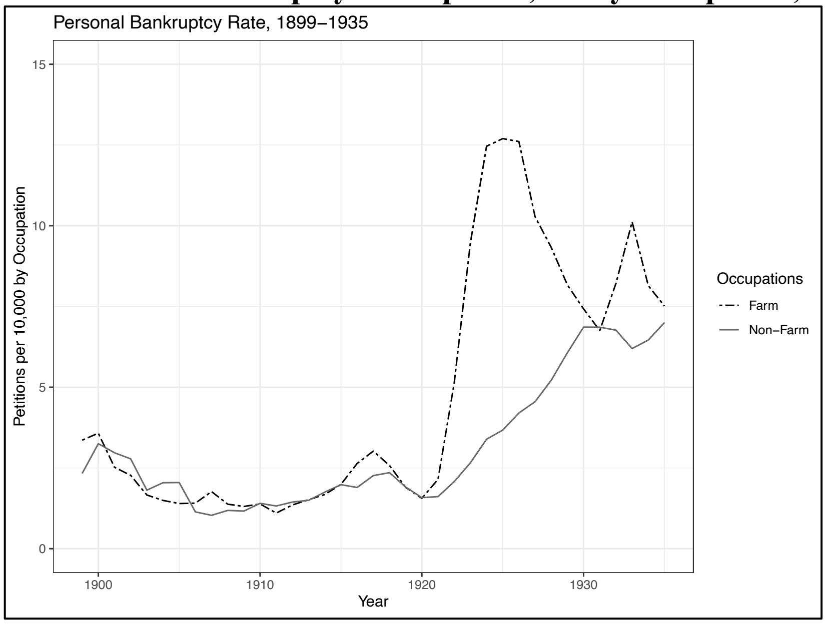
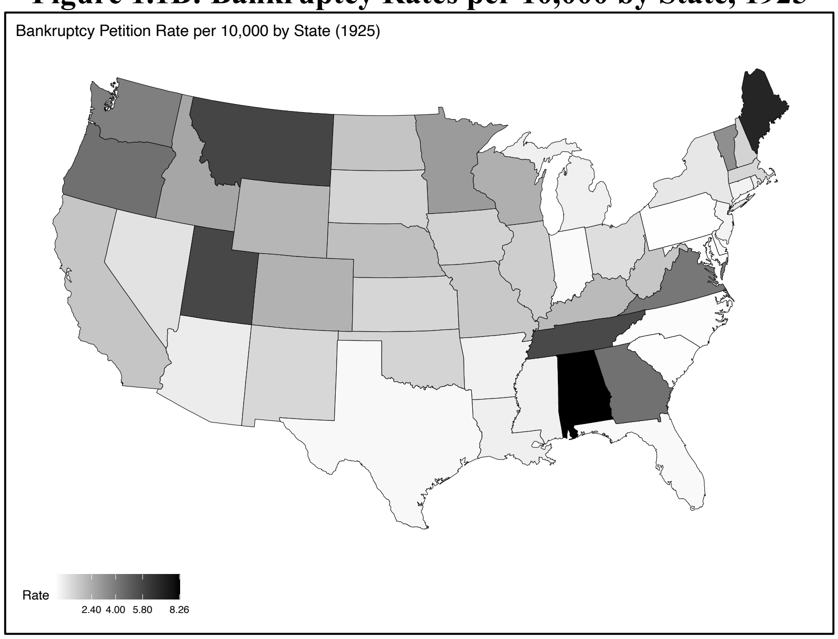


Figure 1.1B: Bankruptcy Rates per 10,000 by State, 1925



Researchers contend that market changes and legal interest groups helped the 1898 Act escape repeal, unlike all of its nineteenth century predecessors. Skeel underscores how legal actors, such as judges, referees, and trustees, formed interest groups to defend the law. Legal actors' advocacy was buttressed by the longstanding Populist "pro-debtor" ideology in American politics (2001:80-100). By contrast, Hansen and Hansen (2020:37-54) argue that bankruptcy became popular when expanding personal credit markets meant that increasingly indebted wage-earners and farmers began to voluntarily file for bankruptcy protections (see Figure 1.1). Bankruptcy law escaped repeal because market change and resultant bankruptcy usage led ideologically "pro-debtor" citizens and Democratic politicians to recognize the benefits of bankruptcy for debtors. This is reflected in the passage of the 1938 Bankruptcy Act by unanimous consent. Research on bankruptcy in the early twentieth century United States takes a political economic approach to uncover the legal and market factors that relate to its institutionalization. Yet this research does not embed rising bankruptcy usage and expanding credit markets within the broader cultural landscape. This omission is analytically meaningful insofar as it prevents scholars from probing how changing conceptions of the creditor-debtor relationship relates to shifting perceptions of bankruptcy.

Moral Economies of Blame in Creditor-Debtor Relationships

Past scholarship on the institutionalization of American bankruptcy law does not explain the "diagnostic struggles" of defining the central problem in bankruptcy, which is a key legal mechanism upholding credit markets (Halliday and Carruthers 2007:1150-1). In particular, why did conceptions of bankruptcy shift from a focus on conflicts between "creditors versus debtors" to that of "debtors" as the "cause" of bankruptcy apart from creditor choices or malfeasance? Furthermore, how did this shift relate to efforts to expand personal credit markets? To examine this change, we should be attuned to policymaker discourse on the perceived "causes" of bankruptcy. By incorporating research on moral economies, especially the insights of scholars of credit and debt and blame, we can understand how rising bankruptcy usage interacted with credit market expansions to inform legislator conceptualizations of an inequitable market lender and individual borrower relationship.

To examine this cultural acceptance, I focus on policy frames, or stories used to interpret issues. In turn, issue framing can shape policy construction (Abolafia 2004:351; Schon and Rein 1996:89). For example, welfare policy debates in the United States are undergirded by a framing of "needs-based assistance". In bankruptcy discourse, there are "conflict" frames, or a framing of bankruptcy as a relationship between creditors and debtors and an attempt to adjudicate who "caused" the failed relationship. Discourse that elaborates these frames may seek solutions that alternatively punish "debtors" or "creditors". In incorporating this frame, social actors either continue to elaborate or defend against claims of inequity in the creditor-debtor relationship. Alternative framings that independently focus on systems and institutions (e.g., finance) or categories of debtors (e.g., workers, corporations) as the "cause" of bankruptcy, by contrast, suggest an acceptance of this relationship and propose circumscribed solutions (e.g., conditional debt relief, restructuring).

Frames research aligns with economic sociologists' contention that markets are moral projects, in which social actors construct markets that stratify and morally justify individual outcomes based on rational processes (Fourcade and Healy 2017). Theorists of debt similarly emphasize that creditor-debtor relationships are inherently inequitable. This is manifest in a tendency to blame debtors rather than creditors at the point of insolvency. Graeber contends that credit is an uncompleted exchange between formal equals. If the debt cannot be repaid, therefore, it is the debtor's fault for being unable to return herself to equality with the lender (2011:120-1; Lazzarato 2012). This means that the borrower often accepts the lender's moral and economic evaluation (Polillo 2011). Krippner (2017), in her examination of algorithmic credit allocation, extends this insight to examine when this inequity is challenged versus accepted. She contends that the rise of algorithmic credit scoring obscures the relevance of social categories (such as gender) in credit allocation, thereby stymieing political mobilization against lenders (Krippner 2023). As such, we can infer that since market credit in the early twentieth century was allocated based on loan officers' economic and moral evaluations that this would lead to debtor resistance against creditors' determinations of "creditworthiness" (Hyman 2011:191-219). Yet this scholarship has not focused on how relationships between individuals and market credit institutions were accepted as free contracts in this time period.

Other scholarship on blame emphasizes that blame for failed risks is a relational cultural phenomenon oriented around using stories to shift the boundaries of who is "worthy" versus "unworthy" (Tilly 2008:11). On a macro-cultural level, Douglas argues that blaming individuals for social harms is essential for the reconstitution of society through absolving the broader community of fault. Therefore, determining who is to blame is central to power struggles (1992:90-100). Tilly, in turn, elaborates a framework that dissects how individuals develop and assign narratives of blame against individuals. In order to assign blame for a negative outcome (-1), social actors multiplicatively consider who has the "agency" to produce the outcome (0,1), who is "competent" enough to anticipate the outcome (0,1), and who is "responsible" or "intended" the outcome (0,1) (2008:34-6). Narratives of blame are the basis of moral judgments that justify punishing the individual at fault and ensuring social "justice". As such, the law is the locus of tensions over assignations of blame.

While research on blame has not been applied to examine personal credit and bankruptcy, it aligns with theories of markets as moral phenomena. In conjunction with scholarship on debt (Graeber 2011) and bankruptcy (Mann 2002; Peebles 2013), debtor's voluntarily taking out loans (agency), means that debtors could be assigned as the moral “cause” of bankruptcy. This determination can be mitigated if the debtor did not have the economic expertise to anticipate bankruptcy (competence) and had no intention of filing for bankruptcy in order to gain debt relief (responsibility). By contrast, creditors who voluntarily loan money (agency), who have the expertise to anticipate the possibility of bankruptcy (competence), and who intended to press debtors into bankruptcy (e.g., via “usurious” interest rates) (responsibility) could be assigned as the moral “cause” of bankruptcy. Integrating theories of blame with historical research on credit and bankruptcy law, this would suggest that it is neither simply about rising bankruptcy rates or expanding credit markets, but rather about how these factors collectively shape the ability of social actors to elaborate narratives of blame. To understand the institutionalization of credit markets, I contend that we should probe how legislators framed who in the creditor-debtor relationship was “responsible” at the point of its failure.

Small Loan Laws and the Politics of Credit in America

To understand the cultural acceptance of credit and bankruptcy as part of the American political economy, we need to embed our understanding of bankruptcy in the politics of credit in early twentieth century America. Between the Gilded Age and the Great Depression, America transformed into an urbanized nation dominated by corporations (Lamoreaux 1985). These shifts spurred reform movements, including efforts to expand labor and social welfare protections (Cohen 1990). Local and state-level reforms, in turn, laid the groundwork for the New Deal’s welfare and economic reforms. Reformers also expanded credit access to the urban poor through state-level Small Loan Laws that gave individuals the funds to support themselves (Anderson 2008). While scholars have highlighted the centrality of credit to the American political economy

(Quinn 2019), this research does not focus on how the early twentieth century creation of rational unsecured credit markets shaped who “caused” the resultant bankruptcies.

Scholars of welfare show how social reformers worked to reduce the risks borne by individuals in the American economy. Central to these efforts are welfare programs that de-commodify individual citizen’s life chances in relation to land, labor, and credit markets (Esping-Andersen 1990:21). While some early efforts to expand social welfare provision, such as soldier pensions, were federal programs (Skocpol 1992:102-51), many early efforts developed as state-level or civil society alternatives to federal action. For instance, Witt (2004) details how rising levels of accidents in industrial production, and the failures and limits of mitigating this problem through tort law, cooperative insurance associations, and company insurance programs, led to the creation of state-run compensation schemes. These early historically contingent efforts to manage social problems in the American economy ultimately created the intellectual frameworks, state-level institutions, and policymaker experience that shaped the enactment of New Deal welfare policies, such as the Social Security Act of 1935.

Other research on credit has emphasized that American federal legislators worked to expand secured personal credit markets to promote economic growth and help individuals bear the risks of life in an urban economy. While nineteenth century American policymakers employed finance for land sales and to build infrastructure (Quinn 2019:22-47), personal credit remained largely limited to interpersonal relationships. However, Populist farmer activism spurred the federal government to create a system of land banks for farm mortgages through the 1916 Federal Farm Loan Act (FFLA) (Quinn 2019:48-87). American companies in the 1920s also turned to installment financing to promote demand for consumer goods, especially automobiles (Hyman 2011:20-42). In the Great Depression, the FFLA served as a template for efforts to revive the American economy through housing construction. In particular, the Roosevelt administration turned to insuring banks' potential losses and creating a secondary mortgage market in order to encourage banks to lend money for home mortgages (Hyman 2011:45-72; Quinn 2019:124-49). By the cusp of the American entry into World War II, credit was a normal feature of household budgeting. Credit's "political lightness" allowed national policymakers to promote economic recovery cheaply with less political contestation than direct welfare spending (Quinn 2019:11-5).

Students of credit markets have uncovered how unsecured personal credit markets were first created on the state-level in response to "oppressive" creditor behaviors. Concerned about "usurious" interest rates, misleading terms, and coercive collection practices, Progressive Era experts at the Russell Sage Foundation (RSF) developed the Uniform Small Loan Law (SLL) in the 1910s. This model law raised the legal interest rate cap to 42% per annum in exchange for increases in enforcement against lenders that exceeded the legal threshold or utilized hidden fees (Anderson et al. 2015). This reform was based on the theory that after eradicating the "loan sharks", ethical lenders' businesses would thrive as a result of a rational legal environment and increased respectability as part of the urban economy (Abend 2014; Fleming 2018:12-77; Hyman 2011:13-20). Anderson (2008) contends that in an era of "unsettled" social change, the RSF and its allies were able to cultivate an aura of expertise to successfully promote a policy that went against deeply held beliefs about "usury." Starting with Massachusetts in 1911 and other urbanized states, by 1940, thirty-two states had enacted SLL (Carruthers et al. 2012; Robinson and Nugent 1935:132-6). The slow, contested process of enactment suggests the persistence of anxieties over whether consumer credit was a social safety net for individuals experiencing financial distress or part of a growing path towards creditor oppression of the poor.

Scholarship on early twentieth century American political economy and reform movements illuminate the origins of rational credit markets and the welfare state. This was followed by federal efforts to expand unsecured credit markets as part of the New Deal. Through FHA Title 1 loan guarantees for home improvements, bankers in the 1930s increasingly conceived of individuals as a reasonable and profitable investment apart from collateral (Hyman 2011:78-97). Scholars have argued that these efforts were part of a cultural shift, in which the growth of depersonalized credit markets led to a focus on "consumer" credit that would justify borrowing in order to stimulate the industrial economy (Calder 2000:211-61). However, scholars have been unattuned to how early state-level experiments with SLLs relates to the cultural acceptance of the individual borrower-corporate lender relationship. Integrating the histories of bankruptcy and SLLs with scholarship on blame and moral economies, it is possible that instituting neutral bureaucratic rules to determine and publicize credit costs meant that creditors were no longer seen as the "cause" of bankruptcies.

Research Design, Data, and Method:

I employ a computational grounded theory method to examine how policymakers framed bankruptcy and how it changed in response to state-level credit policies and bankruptcy rates (Glaser and Strauss 1999; Nelson 2020). To examine patterns of framing, I first conducted unsupervised text classification without any covariates in order to understand the patterns in the data without preconceived theoretical suppositions. Second, I interpreted the output for plausibility through reading texts associated with each topic and through a broader qualitative analysis of legislative speeches and relevant committee hearings. As this resulted in new questions, I collected and analyzed additional data. This allowed me to generate expectations, which were then tested through re-conducting the model with independent covariates and adjustment variables. In sum, computational text analyses "augments" qualitative readings by uncovering patterns of framing and attention, which allows for more focused interpretive analyses, and then helps to evaluate the accuracy of researcher interpretations (Grimmer et al. 2022:22-32).

This analysis is based largely on a corpus of legislator speeches from the U.S. Congressional Record (Gentzkow et al. 2018). In particular, quantitative analyses rely on all U.S. House and Senate floor speeches from the 46th to 75th Congress (March 1879 to March 1939) in which the speaker referred to "insolvenc(ies)" or "bankruptc(ies)." After cleaning and processing, the final corpus contains 2,454,795 words, spoken by 1,323 unique speakers across 12,680 speeches (Model 1). As analyses show that discussions of bankruptcy shifted following the enactment of the 1898 Bankruptcy Act, I conduct a second topic model that is limited to the post-enactment period (Model 2, 1899-1939). This corpus contains 1,569,147 words, spoken by 986 speakers in 8,004 speeches. See Appendix A for more information on topic modeling.

Qualitative data collection allows for complementary analyses. To identify these sources, I relied primarily on the HeinOnline Legal Database. Employing a keyword search of "bankruptcy" followed by a qualitative reading to determine whether "bankruptcy" was central to the speech, I collected 86 days of legislative speeches from the U.S. Congressional Record from 1879 to 1899. Following the same procedure, I collected 261 days of speeches from 1925 to 1939. These time periods are meant to capture the main legislative debates that resulted in the 1898 and 1938 Bankruptcy Acts. I also collected relevant House and Senate Judiciary Committee Hearings that led to the 1938 Bankruptcy Act. I augmented this sample to include 86 days of speeches that referred to "loan sharks" and 75 days of speeches in which legislators discussed “small loans” from the U.S. Congressional Record. This legislative sample is refined and augmented to align with “conflict” topics uncovered through STMs. I also consulted relevant boxes from the Russell Sage Foundation records at the U.S. Library of Congress. In qualitative analyses, starting with the general themes apparent from the quantitative analyses, I began to code documents in order to understand what exactly legislators were (dis)agreeing about. In turn, I wrote memos to unpack how legislators drew upon the same framings (e.g., “honest creditors” and “honest debtors”) to make opposing arguments.

Structural Topic Modeling (Roberts et al. 2014) was employed to generate and examine expectations about legislative attention and framings of bankruptcy. Topic models (Blei et al. 2003) are Bayesian hierarchical models that generate “topics” of correlated words and then assign a weight to different words in the vocabulary. Structural Topic Models (STM) are an implementation of topic models that facilitates the incorporation of metadata to explain topic prevalence and content (Grimmer et al. 2022:147-61). Topic models have been employed to examine patterns of policymaker issue framing (Grimmer 2013; Rule et al. 2015). There is no “correct” number of topics (Grimmer and Stewart 2013). I chose 24 topics for the full time period (Model 1) and 26 topics for the post-enactment period (Model 2).[8] Topics labels were created based on the most distinctive words in the topic, alongside qualitative readings of speeches highly associated with each topic. I employ topic models to examine the structure of framings in the discursive space and changes in framings elaborated over time. In addition to mapping the topic network, I implemented a Louvain community detection algorithm to gain insight into relationships between topics.

[8] Running two separate models means that topics cannot be compared. I employ the second model to supplement our understanding of how legislators framed bankruptcy in the post-enactment period.

Table 1.1: Corpus 1 Data Summary, 1899-1939

	Mean	Min	Max	Standard Deviation
Recession	9.66	0	24	7.51
Garnishment	0.29	0	1	0.45
Bankruptcy Rate	3.75	0	17	2.65
Small Loan Law	0.38	0	1	0.49
	Proportion			
Party				
- Democrat	0.58			
- Republican	0.41			
- Other	0.02			
Region				
- New England	.06			
- Middle Atlantic	.10			
- South Atlantic	.13			
- East South Central	.11			
- West South Central	0.12			
- East North Central	0.18			
- West North Central	0.17			
- Mountain	0.10			
- Pacific	0.04			
Decade				
- 1900	0.11			
- 1910	0.19			
- 1920	0.26			
- 1930	0.45			
Chamber				
- House	0.58			
- Senate	0.42			

The final STMs also include upstream covariates to examine the relationship between political, temporal, and market factors and topic prevalence. Analyses are on the speech level. For the time period before the enactment of the 1898 Bankruptcy Act, I have limited state-level covariates that make it impossible to examine past arguments such as interstate trade and national trader organizations (Skeel 2001). As such, my final analyses are limited to the early twentieth century (1899-1939). They are conducted both the model trained on the full time period (Model 1) that is subset to the post-enactment period and the model trained on post-enactment data only (Model 2). The dependent variables are the proportion of speech that relate to the "Creditor-Debtor" (Model 1) and "Bankruptcy" (Model 2) topics. These topics capture legislators' framings of bankruptcy as a conflict between creditors and debtors. They also experienced significant drops in proportion between the Gilded Age and Great Depression.

For both models, I incorporated covariates that allow me to explore the factors related to shifts in legislator framings of bankruptcy. See Table 1.1 above. I include a dummy variable for when the legislator represents a state with a SLL during a given Congress and a variable on the state's bankruptcy rate in a given Congress. Given past scholarship that highlights the role of wage garnishment laws in affecting bankruptcy rates (Hansen and Hansen 2020:47-59), I control for states that facilitated lender garnishment of debtor's wages. I also include covariates for the number of months during a Congress in which the United States economy was contracting (0,24; NBER 2023), legislator region, and party (Democrat, Republican, Other). There are also covariates for the decade and the House of Congress to adjust for broader period and chamber effects. Final models also include state fixed effects. The STMs build on the first stage of unsupervised topic modeling without covariates and the second stage of interpretive analyses in order to examine expectations on how state-level credit regimes shape perceptions of the creditor-debtor relationship in bankruptcy.

Findings:

The Decline in Market Failure Discourse on Bankruptcy

In this section, I draw upon new discourse analyses to confirm scholarship that uncovers how political contestation over bankruptcy declined between the Gilded Age and the Great Depression (Hansen and Hansen 2020; Skeel 2001). In the late nineteenth century, Republicans and Democrats debated bankruptcy as a potential solution to a conflictual relationship between creditors and debtors. However, over the course of the early twentieth century, bankruptcy discourse became less focused on creditor-debtor conflict or credit market failures more broadly. Rather, when discussing bankruptcy, legislators turned their attention to types of debtors within the American economy. Bankruptcy discourse was also not structured as a debate between Democrats and Republicans. See Table 1.2 for a list of topics and clusters.[9]

Table 1.2: Topics in U.S. Congressional Record Bankruptcy Speeches, 1879-1939 (Model 1)

ID	Cluster	Label	FREX Terms	Prevalence
1	Market Failure	Judicial Process	proceed, judgment, petition, commenc, dismiss, extradit, enjoin, void, tion, pendenc	0.009
5		Asset Distribution	claimant, award, sureti, claim, lien, recov, truste, compani, apprais, reorgan	0.044
6		Legislative Debate	hous, session, debat, bill, consider, report, wish, agre, introduc, confer	0.103
7		Bill	act, section, provis, sec, provid, approv, amend, statut, claus, insert	0.050
18		Creditor-Debtor	creditor, debtor, attach, estat, prefer, insolv, assign, discharg, bankrupt, trader	0.094
21		Judicial System	judg, impeach, swayn, attorney, bench, lawyer, indict, litig, marshal, court	0.041
2	Domestic & Foreign Policy	Banking	bank, depositor, deposit, reserv, banker, loan, comptrol, reconstruct, liquid, guaranti	0.034
4		Government Debt	govern, privat, moral, oblig, confederaci, govermn, embark, thegovern, unaid, governi	0.010
8		Soldier Pensions	pension, disabl, veteran, soldier, exservic, widow, deceas, exposit, invalid, colombian	0.012
9		War	armament, cuba, philippin, cuban, spain, treati, japan, belliger, disarma, germani	0.029
10		Debt Instruments	bond, indebted, cancel, note, redempt, debt, par, interestbear, redeem, refund	0.033
11		Farming	farmer, farm, cotton, crop, bale, bushel, agricultur, cattl, wheat, corn	0.044
12		Sovereignty	exercis, constitut, sovereignti, sovereign, deleg, regul, convent, right, doctrin, welfar	0.038
13		Monetary Policy	silver, bullion, demonet, gold, coinag, coin, metal, bimetal, mint, ratio	0.021
14		Individual Narratives	get, want, talk, thing, tell, someth, anyth, anybodi, els, everybodi	0.116
15		Economic Management	feel, serious, respons, condit, believ, legisl, appropri, economi, meet, confront	0.087

[9] In this section, my discussion is focused on the results from Model 1. However, more detailed information on Model 2 is included in Appendix A.

17		Excise Taxes & Prohibition	tax, taxat, incom, whiski, revenu, distil, gallon, deficit, burden, taxpay	0.031
19		Trade Policy	woolen, freetrad, sugar, wool, tariff, manufactur, valorem, dutiabl, raw, protectionist	0.039
20		Social Welfare	unemploy, roosevelt, program, hoover, worker, recoveri, percent, money, group, job	0.040
23		God & Nation	plunder, negro, manhood, god, glori, heart, bless, inspir, eloqu, slave	0.040
3	Infrastructure	Municipality	municip, citi, print, town, detroit, subdivis, mayor, librari, school, villag	0.010
16		Railroads	railroad, railway, shipper, coal, haul, freight, car, pool, transport, carrier	0.034
22		Shipping & Canals	canal, ship, panama, nicaragua, subsidi, shipbuild, vessel, marin, steamship, mail	0.020
24		Public Works	settler, irrig, interior, acr, reclam, stream, project, valley, river, area	0.019

Prior to the enactment of the 1898 Bankruptcy Act, discussions of bankruptcy were highly polarized. Figure 1.2A below displays the topic proportions, partisanship, and their interconnections as of the 1890s. In discussing bankruptcy, legislators engaged in a polarized debate. One side of the network is predominantly topics that are spoken by Democratic legislators and focuses on the economy and nation, debts, and debtors. The other side of the network is dominated by Republican legislators' speech. These speeches are broadly focused on efforts to enact the 1898 Bankruptcy Act. Republican legislators "anchored" their work in a conceptual framing of creditor and debtors' relationship (Creditor-Debtors) and prescriptively engaged in negotiations (Legislative Debate, Bill) over a proposed legal regulatory solution in bankruptcy (Judicial Process, Judicial System, Asset Distribution) (Abolafia 2004:352). These findings align with scholarship that notes that bankruptcy was a highly partisan topic in 1890s legislative debates. Yet they add that when Democrats and Republicans discussed bankruptcies, they turned their attention to distinct issues from one another.

Figure 1.2A: Topic Network, 1890s

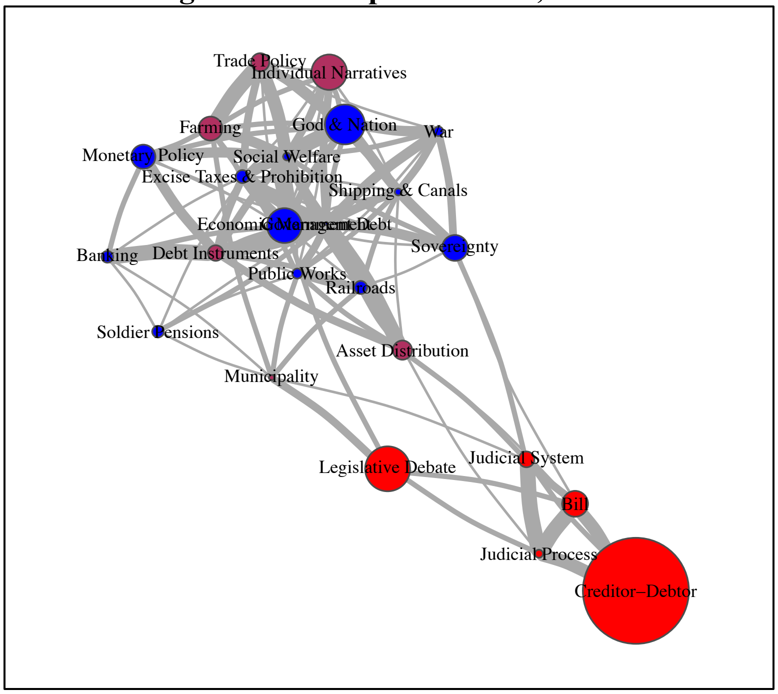
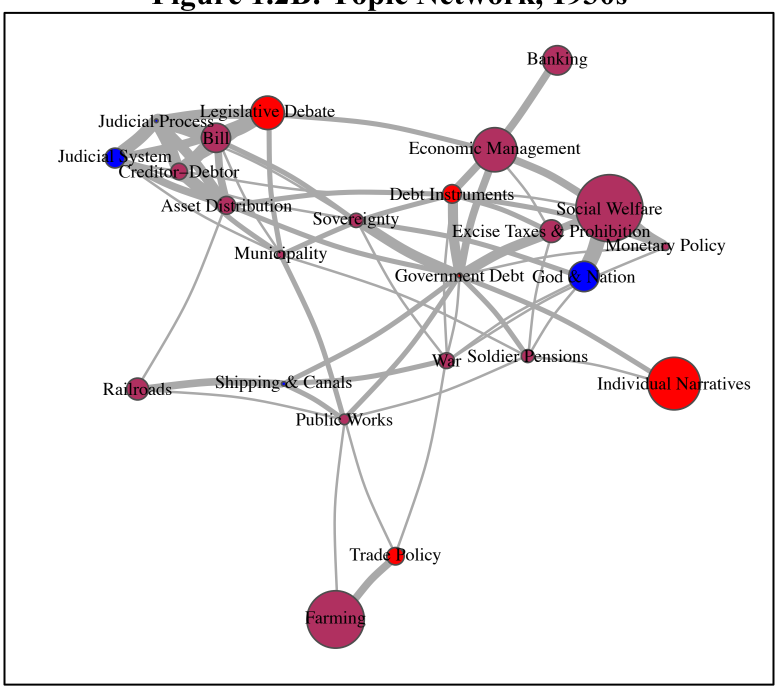


Figure 1.2B: Topic Network, 1930s



Qualitative analyses of legislative speeches suggests that in debating the Torrey Bankruptcy Bill (with its involuntary provisions), Democrats and Republicans disagreed over who was the cause of failed creditor-debtor relationships in the United States. Proponents of the bill largely contended that debtors were the moral "cause" of the credit market failure. This assumption of debtor fault is implied by Representative George Ray (R-NY) who drew upon the Creditor-Debtor (78%) and Economic Management (8%) topics to argue that involuntary bankruptcy is necessary, or else "[d]ishonest men will run into debt with no intention of paying, sell the property obtained, and conceal or use up the proceeds in riotous living and laugh at their creditors" (1898:1914). By contrast, opponents of the bill drew upon competing frames to argue that creditors "caused" bankruptcies. For instance, in addition to the Creditor-Debtor topic (27%) Rep. Joseph Wheeler (D-AL) drew on the God & Nation (25%), Individual Narratives (14%), and Monetary Policy (12%) topics to emphasize creditor oppression. He rhetorically asked who are "the debtor class that are sought by this legislation to be placed under the creditor class of the East? The debtor class of this country are those men who have brought us all the prosperity and all the progress that has made this country the pride and admiration of the world" (1896:4745). Whether focused on creditors' limited information or debtors' subservient position, Democratic and Republican legislators incorporated the "Creditor-Debtor" topic to describe a conflict between creditors and debtors. Yet whereas Republican legislators framed bankruptcy law as a solution, Democrats framed it as a tool of creditor control.

Federal bankruptcy was ultimately enacted in 1898, largely over Democratic legislators' protests. It created a judicial system that allowed for involuntary bankruptcy for individuals "engaged in business," while ensuring that farmers and wage-earners could only enter into bankruptcy through a voluntary petition. While the Senate Judiciary committee voted to repeal the 1898 Bankruptcy Act in 1905 (Skeel 2001:44), the 1898 Act faced no major subsequent repeal efforts. As such, how did the discursive space of bankruptcy shift in the decades following the enactment of bankruptcy law? Figure 1.2B above is the topic network of legislator speech in the 1930s, weighted by topic proportion and colored by party. This figure shows how fewer legislator speeches on bankruptcy engaged in conceptual discussions of creditor-debtor conflict and the formal bankruptcy system. The network structure is also no longer polarized between discussion of bankruptcy and types of debts and debtors. Finally, more topics are bipartisan and no portion of the network is dominated by Republican or Democratic speakers.

Figure 1.3A: Change in Topic Proportions, 1879-1939

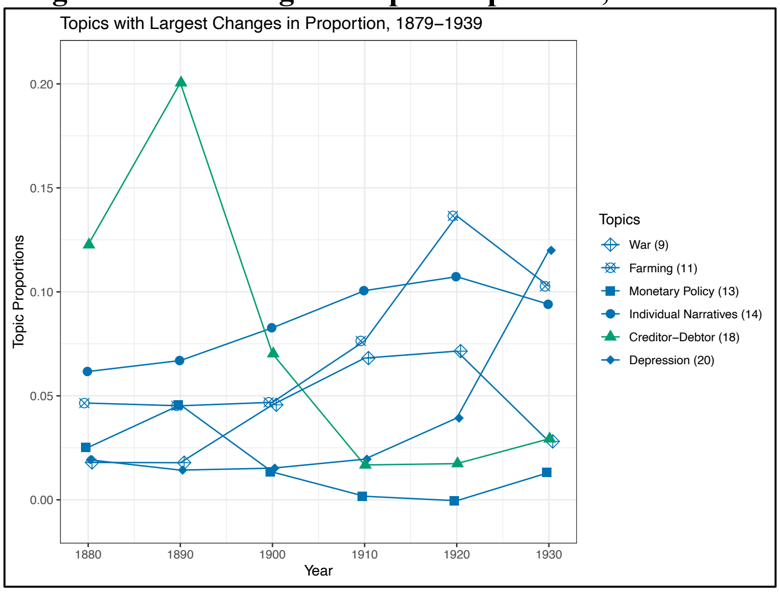
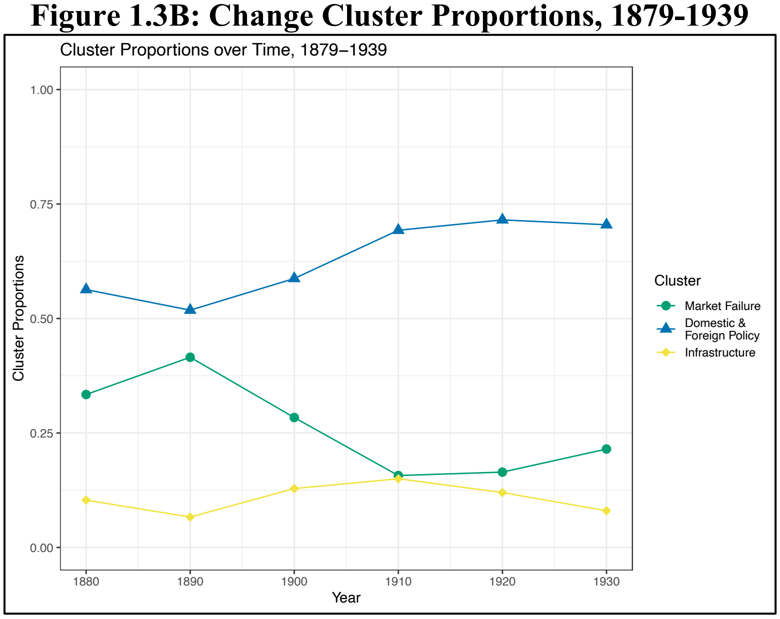


Figure 1.3B: Change Cluster Proportions, 1879-1939



In order to systematically examine how the parameters of legislative debate changed over time, I graph how clusters and topics changed in proportion. See Figures 1.3A and 1.3B. In the 1890s, the market failure cluster contained 42% of all discourse. However, by the 1930s, the market failure cluster shrunk to 21% of all legislative speech. By contrast, the Domestic and Foreign Policy cluster has grown from 52% of speech in the 1890s to 70% of speech in the 1930s. I also focus on the quarter of topics with the greatest absolute changes in proportion over time (shaded by cluster). Most notably, the Creditor-Debtor topic declined from 20.1% in the 1890s to 1.7% in the 1920s before rebounding to 2.9% in the 1930s. At the same time, there is a greater focus on types of debtors, including farmers (from 4.6% in the 1880s to 13.7% in the 1920s) and economic Depressions and policy responses to them (from 1.4% in the 1890s to 12% in the 1930s). There are also more individual narratives in legislative speeches on bankruptcy. Finally, topics also shift in proportion based on broader policy debates, including war and recovery and the role of gold and silver in monetary policy. These analyses suggest that in addition to an increased focus on types of insolvent debtors within the American economy, there was a decline in a discussion of bankruptcy as a market failure that involved creditors.

Qualitative analyses confirm that legislators were more likely to discuss bankruptcy as about debtors as the "cause" of their bankruptcies. Fewer speeches in this time period are focused on the "Creditor-Debtor" topic than in the nineteenth-century debates, while speeches that are oriented around this framing downplay conflicts between creditors and debtors. For instance, in articulating the perceived problems of the bankruptcy statute, Republican Earl Michener (R-MI) drew upon framings of Creditors-Debtors (44%), Economic Management (14%), the Judicial System (12%), and Bills (11%). He contended that bankruptcy is to "relieve an honest debtor from his misfortune. The failure, if such, of the bankruptcy law, and the malfeasances for its administration, have reference solely to . . . that of securing to creditors at the least possible expense the equal distribution of the property of the debtor to his creditors" (1926:7674).[10] Representative Michener elaborated an understanding of bankruptcy as about efficient debtor relief and creditor recoupment of assets, not creditor oppression. This focus on debtors was not limited to Republicans. Senator Edward Burke (D-NE) drew upon the Creditor-Debtor (77%) and Individual Narratives (5%) framings to define bankruptcy as "a situation where a debtor is unable to pay its debts." In turn, he emphasized that "a debtor who wants to avail himself of the relief afforded by the bankruptcy law shall first surrender to the court all of his assets to be distributed equitably among his creditors" (1937:8544).[11] Bankruptcy was seen as for "honest" insolvents to receive legal debt relief. In directing attention away from creditors, these legislators naturalized an inequitable creditor-debtor relationship (Krippner 2017).

By the Great Depression, rather than attacking bankruptcy as oppressive towards debtors, some legislators advocate on behalf of bankruptcy reforms to protect debtors from the economic catastrophe and creditors. For instance, Rep. William Lemke (R-ND), sponsor of the 1934 Frazier-Lemke Farm Bankruptcy Bill defended the constitutionality of his bill, stating that it was for "the protection of the agricultural bankrupt and his reestablishment as a useful member of society" because "in the adjustment inevitably brought about by the Depression, no one should be permitted to destroy society in order to extract the last pound of flesh" from debtors (1934:12136). Similar to nineteenth century rural opponents of bankruptcy, he drew upon multiple framings, including Creditor-Debtor (24%), Bill (17%), Sovereignty (16%), and Social

[10] In Model 2, the topics over 5% are Bankruptcy (60%), 17% Sovereignty (17%), and Judicial System (8%)
[11] In Model 2, the topics over 5% are Bankruptcy (79%), Individual Narratives (5%), and Judicial System (5%)

Welfare (15%).[12] Legislators whose previous constituents were skeptical of bankruptcy law now contended that it could be a tool for debtors to rebalance an unequal economic relationship.

These descriptive analyses show that between the Gilded Age and the Great Depression, Americans legislators' framings of bankruptcy shifted. Bankruptcy discussions became less partisan and more focused on types of debtors. By contrast, there were significant decreases in the conflictual Creditor-Debtor topic and broader discussions of bankruptcy as a credit market failure. My findings accord with scholarship on bankruptcy (Hansen and Hansen 2020) by confirming that legislators increasingly agreed that bankruptcy was largely for the benefit of insolvent debtors. However, why did politicians' framings of bankruptcy shift in the first decades of the century? In the next section, I examine factors related to this shift.

Small Loan Laws (SLL) and the Decline of Legislator "Bankruptcy" Framings

Through placing legislator discussions of bankruptcy in the context of their states' credit policies and bankruptcy rates, I shed light on why conceptualizations of bankruptcy shifted from conflictual to largely consensual. In particular, I examine whether expanding credit markets through state-level Small Loan Laws (SLL) are associated with more conflictual framings of bankruptcy (Anderson 2008), or if rising bankruptcy rates in SLL states leads creditors to face less blame for bankruptcies (Tilly 2008). I show that SLL advocates, in alignment with nineteenth-century Democrats' bankruptcy critiques, contended that many wage-earner bankruptcies were due to creditor oppression. Yet similar to nineteenth-century Republicans, their proposed solution was to solve this market failure through regulatory reform. The creation of rational credit markets in tandem with rising bankruptcy rates meant that bankruptcies were

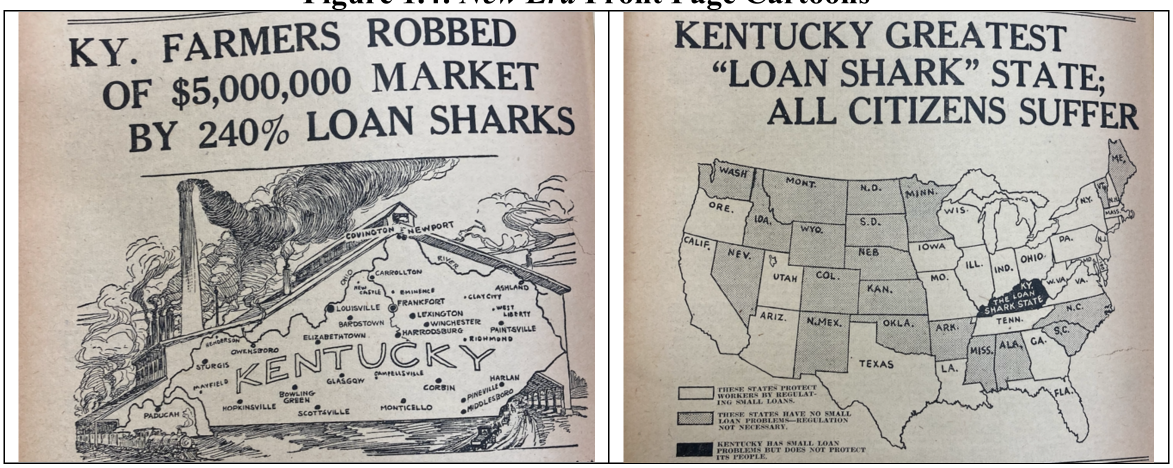
[12] In Model 2, the topics over 5% are Bankruptcy (23%), Legislative Debate (23%), Farming (17%), God & Nation (9%), and Social Welfare (8%)

generally seen as due to debtors' own misfortune or malfeasance. I confirm this interpretation through regression models that examine the decline in the "Creditor-Debtor" (Model 1) and "Bankruptcy" (Model 2) topics. These findings add to historical scholarship on bankruptcy by showing that the institutionalization of bankruptcy was not simply due to rising bankruptcy usage (Skeel 2001) or as part of expanding credit markets (Hansen and Hansen 2020).

Following Anderson et al. (2015), qualitative analyses uncover how the expansion of credit markets through SLLs was framed as a way to fight unscrupulous creditors oppressing debtors. For example, an article in the *New York Eagle* described how the "money loan shark trust" loans money to wage-earners at annual interest rates of 100-200%, and harassed debtors who were unable to make loan payments – even to the point of suicide. The article concludes by noting how the RSF was working to reduce interest rates to alleviate debtors' burdens (1909). Alongside broader social concern about oppressive "loan sharks," the RSF explored the relationship between SLLs and bankruptcy. In small, unpublished bankruptcy studies of Louisville, Kentucky (1931), St. Louis, Missouri (1927), and Minnesota (1936), Leon Henderson, Director of Remedial Loans at the RSF, led researchers to examine this relationship. In a study of New Orleans, Louisiana (1928), for example, analyses counted the number of unregulated "loan sharks" that each bankrupt owed money to, alongside the petitioner's estimated interest rate and monthly interest payments.

The RSF attempted to publicize its understanding of how "loan sharks", not legally operating small loan lenders, led to personal bankruptcies. For instance, RSF and Better Business Bureau research on Kansas City was publicized in the *Kansas City Times* article "Usury Back of Failures," which claimed that 28 of 147 recent bankrupts were involved with loan sharks (1927). RSF experts also spoke to industry. In an article in the *American Bankers Association Journal*, Assistant Director Rolf Nugent argued that wage earner bankruptcies were partially due to declining values of "thrift." Despite this, "examinations of more than 1,000 wage earners' bankruptcy petitions failed to show a single case where a legally operated loan company or reputable instalment (sic) house contributed materially to the financial disaster" (Nugent 1931:11). Drawing on broader social fears of "loan sharks," policy experts at the RSF examined the relationship between oppressive creditor-debtor relationships and bankruptcy. They argued that their efforts to raise state-level legal usury rates and increase legal enforcement on small loan lenders through SLLs would reduce creditor malfeasance, and therefore, bankruptcies.

Figure 1.4: ***New Era*** **Front Page Cartoons**



January 2, 1932 (left); December 19, 1931 (right)

RSF experts' understanding of the relationship between bankruptcy and unregulated small loans related closely to media and policymakers' construction of the problem. This is apparent in the media attention leading to the enactment of a SLL in Kentucky (Bittmann 2018). For example, an article in the *Louisville Courier-Journal* entitled, "Loans Sharks Levy Tribute in Kentucky" highlighted the state's unregulated small loan market to claim that $5 million was "taken annually from needy families." Underlining the social ill, it graphically presented Kentucky's rising bankruptcy rate in comparison with the national average (Bloom 1931). Both framing the problem as about aggressive "loan sharks" with the SLL as a solution was supported by the labor press. See cartoons: Figures 1.4A and. 1.4B. The bill also received support from the Kentucky Federation of Labor. In pressing for the state chapter to advocate on its behalf, President William Green of the American Federation of Labor claimed that the bill "will prevent, to a very large extent, exploitation of these worthy citizens by loan sharks" (Green 1932). When Governor Ruby Laffoon signed the law in March 1934, the *Louisville Herald-Post* ran a front-page article titled "Governor Signs Anti-Loan Shark Bill: Regulations Approved for Ban on Usury" (1934). A large number of lawmakers, labor, and media in Kentucky agreed that bankruptcy was the result of predatory creditors. This social problem could be remedied through regulations that promoted the expansion of a rational credit market.

The RSF and its allies' argument on "loan sharks" leading to bankruptcy was not universally shared. Some placed the blame of bankruptcy strictly on debtors. For instance, in a press release for the U.S. Department of Commerce's "Causes of Bankruptcies Among Consumers" study, introduced the study by contending "Living beyond their means was a cause of the many bankruptcies among wage-earning consumers of the United States" (1933). The RSF also weathered aggressive push-back from populists who attacked the idea that wage-earners needed to be charged higher interest rates than businesses. In an article written for *Brass Tracks* that was submitted to the *Congressional Record*, Rep. Fiorello LaGuardia (R-NY) claimed that the RSF, "with its suave air and philanthropy window dressing, but endowed with the spirit of old Russell Sage, the loan shark" spoke on behalf of the loan sharking Household Finance Corporation to legalize an oppressive 42% annual interest rate (1932:290).

Despite concerns about both debtors or creditors "causing" bankruptcies, a further eight states enacted SLLs in the 1930s. SLLs likely expanded state-level unsecured credit access for wage-earners. States that enacted SLLs experienced dramatic increases in borrowing from licensed lenders. For instance, registered creditors in Massachusetts increased lending in real terms by 766% between 1915 and 1932, including during the Great Depression (Robinson and Nugent 1935:169). There is mixed evidence to support RSF experts' contention that SLLs reduced bankruptcy rates. Though enacting SLLs overall relates to a decrease in bankruptcy rates, SLL enactment led to an increase in bankruptcy filings in states that facilitated lender garnishment of debtors' wages (Hansen and Hansen 2020:43-59). Nevertheless, the RSF argued that their interest rate regulation would facilitate the entry of loan companies from which wage-earners could borrow on fair terms and without fear. Federal policymakers drew upon the RSF's arguments. In a Senate Judiciary Committee Hearing on proposed bankruptcy amendments, Assistant Attorney General Lloyd K. Garrison under President Herbert Hoover contended that most wage-earner bankrupts "are loaded up with debts to loan sharks" at interest rates of 480% per annum that makes it impossible for them to pay off their debts (1932:20-1). SLL proscription of "loan sharking" would prevent wage-earners from filing for bankruptcy.

Figure 1.5: Bankruptcy Discourse by Bankruptcy Rate and SLL

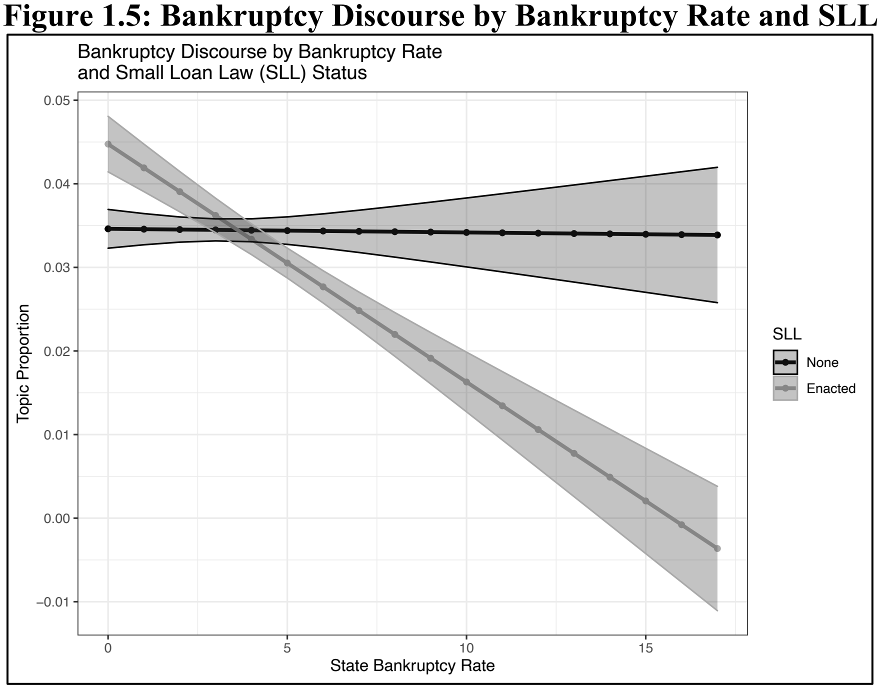


Table 1.3: Relationship Between SLL, Bankruptcy Rate and Legislator Framings of Bankruptcy

Predictor	Model 1: 1879-1939 Creditor-Debtor (Topic 18)			Model 2: 1899-1939 Bankruptcy (Topic 26)		
Column	1	2	3	4	5	6
SLL	0.0017	0.0101*	0.0073	0.0069*	0.0313***	0.0267***
	(0.0025)	(0.0041)	(0.0049)	(0.0032)	(0.0007)	(0.006)
Bankruptcy Rate	-0.0014**	0.0000	-0.0007	-0.0029***	-0.0000	-0.0002
	(0.0004)	(0.0006)	(0.0007)	(0.0006)	(0.0007)	(0.0009)
SLL*Bankruptcy		-0.0028***	-0.0023*		-0.0058***	-0.0058***
Rate		(0.0008)	(0.0009)		(0.0009)	(0.0012)
Garnishment	0.0067**	0.0064*		0.0127***	0.0120***	
	(0.0025)	(0.0025)		(0.0032)	(0.0032)	
Recession	-0.0004**	-0.0003**	-0.0004**	-0.0007***	-0.0006***	-0.0006***
	(0.0001)	(0.0001)	(0.0001)	(0.0002)	(0.0001)	(0.0001)
State FE			X			X
Observations:	8,004	8,004	8,004	8,004	8,004	8,004

Note: Marginal effects reported; standard errors are in parentheses. All models include decade, region, party, and chamber controls.
* p<0.05, ** p<0.01, *** p<0.001

I now return to topic modeling to examine how this focus on the construction of rational credit markets through SLLs alongside rising bankruptcy rates shaped federal legislators' framings of bankruptcy. I focus on the Creditor-Debtor topic (Model 1), because it experienced the greatest shift across the time period and because qualitative analyses suggest that it captures discursive framings of creditor-debtor conflict. I subsequently replicate these findings on the Bankruptcy topic (Model 2). In Table 1.3 (Column 1), I find some evidence in support of Skeel's argument (2001). Rising state-level bankruptcy rates is negatively related to a conflictual framing of bankruptcy. However, in the expanded model (Column 2 onward), this effect disappears. Next, in examining whether expanding credit markets relates to more conflictual or consensual framings of bankruptcy, results (Column 1) show that the enactment of state-level SLLs does not result in changes to legislators' framings of bankruptcy as a conflict between creditors and debtors. If neither rising bankruptcy rates nor expanded credit markets is associated with consensual framings of bankruptcy, then what factors relate to bankruptcy's acceptance as part of the American political economy?

Turning to my expectation that credit market expansions interact with rising bankruptcy rates to shift narratives of blame (Tilly 2008), I find evidence that among federal legislators who represent SLL states, their framings of bankruptcy vary based on the bankruptcy rate (Column 2). This result is represented in Figure 1.5. In states with 1 bankruptcy per 10,000 residents, legislators representing both SLL (CI: 0.036, 0.047) and non-SLL (CI: 0.031, 0.038) states are as likely to elaborate on the conflictual Creditor-Debtor topic. However, alongside increases in the bankruptcy rate, legislators who represent SLL states become less likely to elaborate this conflictual framing, while there is no significant change among legislators who represent non-SLL states. When a state's bankruptcy rate is 15 per 10,000 residents, legislators representing SLL states elaborate a conflict frame in 0% of their speeches (CI: -0.010, 0.014), while legislators representing non-SLL states elaborate a conflict frame in 3.4% of their speeches (CI: 0.020, 0.048). Qualitative analyses do not suggest that legislators representing SLL states were representing the view of interest groups. However, it is possible that in addition to moral attributions of blame, changing state-level interest groups helped to produce this shift in legislator discourse. In column 3, I examine whether these findings are robust to the inclusion of state fixed effects. They suggest that these changes in legislator discourse are not due to longstanding state-level characteristics, but rather that it results from changes in state policy regimes and bankruptcy rates.

Turning to the Bankruptcy topic that is trained solely on post-1898 legislative speeches, I confirm my broader findings (Table 1.3, Columns 4-6). Importantly, the main interaction between SLLs and the bankruptcy rate remains robust, and is over twice as large as in Model 1's

Creditor-Debtor topic. I infer that this is because this topics' smaller training corpus means that it is better able to capture the language of legislators in the early twentieth century. The only difference is that in these models SLLs are predictive of more conflictual framings of Bankruptcy. To summarize other covariates, in addition to credit market and bankruptcy rate factors, I also include a covariate for recessions to incorporate Warren's (1935) argument that bankruptcy laws are a result of economic downturns. I find evidence to support this view. There is a negative relationship between the months of economic contraction in a Congress and conflictual bankruptcy framings across all models. Furthermore, the presence of state-level laws that facilitate lenders' garnishment of debtors' wages is consistently associated with greater conflictual framings of bankruptcy. As noted above, the STM analysis attempts to adjust for other major relevant covariates that may relate to conflictual framings of bankruptcy, such as speaker party, region, decade, and chamber. Nevertheless, the treatment covariates (SLL and bankruptcy rate) are not identified to produce causal estimates (Grimmer et al. 2022:233-40). These findings may be due to non-observed factors, such as structural changes in states' economies that may relate to both SLL enactment and the state-level bankruptcy rate.

These analyses help to explain why personal bankruptcy became to be conceived as a normal part of the American political economy. Building on scholarship that emphasizes an acceptance of personal debt in the early twentieth century United States (Calder 2000), this study shows that RSF policy experts and their allies promoted SLLs specifically because they were concerned about creditor oppression of poor debtors (Anderson 2008). These advocates were broadly successful in expanding rational unsecured credit markets for wage-earners (Fleming 2018). Yet a focus on regulating credit markets to foster "honest creditors" and obviate the threat of "loan sharks" meant that resultant debtor insolvencies were morally "caused" by borrowers

(Tilly 2008). Topic models confirm this interpretation, showing that legislators shifted away from conflictual framings of bankruptcy in SLL states with high bankruptcy rates. There is less evidence to support arguments that legislator acceptance of bankruptcy is directly the result of rising bankruptcy rates (Skeel 2001) or credit market expansions (Hansen and Hansen 2020). The expansion of rational credit markets alongside rising bankruptcy rates helped to facilitate a political acceptance of a morally inequitable relationship between market lenders and individual borrowers (Krippner 2017; 2023).

Discussion and Conclusion:

The popularization of bankruptcy in the early twentieth century set the stage for the expansion of the bankruptcy system in the 1930s. Whereas the 1898 Bankruptcy Act was enacted after a vociferous political debate over the opposition of a majority of Democratic legislators, the 1938 Bankruptcy Act was passed with unanimous legislative support and was swiftly signed into law by President Franklin D. Roosevelt. This Act also created a voluntary debtor payment system (Chapter XIII bankruptcy) that is now the default form of personal bankruptcy in the United States. Through a computational grounded theory approach on federal legislators' speeches and archival data from the Russell Sage Foundation, I show how the institutionalization of federal bankruptcy law relates to a change in legislators' conceptions of bankruptcy. Whereas Gilded Age legislators struggled to determine whether creditors or debtors "caused" credit market failures, Great Depression Era lawmakers largely accepted that bankruptcy was "caused" by debtors, apart from creditor oppression. In turn, I demonstrate that this shift results from the expansion of rational personal credit markets through state-level SLLs, alongside increases in the proportion of individuals filing for bankruptcy protections. SLLs proscription of "oppressive" creditor behaviors “fixed” creditors’ role in the market failures. In turn, narratives of bankruptcy shifted to focus on debtor “responsibility” (Tilly 2008). This research has implications for political economic scholarship on credit markets, as well as economic sociologists’ theorizations of the creditor-debtor relationship.

This article incorporates moral markets scholarship on debt and blame to uncover how shifting narratives of bankruptcy led to a discursive acceptance that debtors were the moral “cause” of bankruptcy. Recent literature has built upon theories of the moral inequity in the creditor-debtor relationship (Graeber 2011) to illustrate the ways in which algorithmic credit allocation obscures the structural causes of social groups’ (dis)advantage in markets, thereby stymieing organizing against creditors (Krippner 2017; 2023). Yet this focus on algorithmic credit allocation does not explain the political acceptance of personal credit markets in the early twentieth century. I incorporate Tilly’s (2008) framework on blame to demonstrate that the RSF’s successful efforts to create “fair” credit markets meant that legislator narratives of bankruptcies increasingly assigned debtors “responsibility” for their bankruptcies. This research builds on the sociology of markets (Fourcade and Healy 2017) by demonstrating how the enactment of rational market regulations serves to create new moralizations of the creditor-debtor relationship that obscured creditor “oppression.”

Additionally, I further our understanding of how credit markets became a central part of the American political economy and “submerged” welfare state (Mettler 2011). Political economists emphasize how major New Deal Era reforms, such as Social Security, were based on state-level policy experiments from the early twentieth century (Witt 2004). During the Great Depression Era, lawmakers also worked to expand credit access to promote consumer demand and ultimately the economic recovery (Hyman 2011). Researchers have also shed light on how

Progressive Era social reformers and businesses worked to expand credit markets on the state level to prevent “loan sharking” and expand credit access for the urban poor through SLLs (Anderson 2008; Fleming 2018). However, it is unclear how these state-level credit reform efforts shifted conceptions of the creditor-debtor relationship, including who was at fault at the point of debtor insolvency. My findings show how early unsecured state-level credit market expansions shaped subsequent federal legislators’ framings of bankruptcy as about debtors, largely apart from creditors. This article deepens our understanding of the cultural factors undergirding the political acceptance of credit markets. Rational personal credit markets served to individualize discussions of failure in the United States (Prasad 2012). During the Great Depression, this shifted focus away from the potential targets of redistributive efforts in credit markets, such as through debt relief (Zackin 2020), towards the individuals who had “failed”.

Finally, this research extends our historical knowledge on American bankruptcy. Past political economic scholarship identifies how expanding credit markets and rising bankruptcy usage, in conjunction with America’s “pro-debtor” ideology helped federal bankruptcy survive repeal efforts in the early twentieth century (Hansen and Hansen 2020; Skeel 2001). Through systematically examining how legislators defined the problem of bankruptcy in light of efforts to expand credit markets, I build on this scholarship by confirming that rising state-level bankruptcy rates leads federal legislators to elaborate less conflictual framings of “bankruptcy.” However, this effect is mediated by state-level credit market expansions. Final analyses also provide suggestive evidence that the development of personal credit markets is associated with legislators framing bankruptcy in more conflictual – rather than consensual – terms.

It is important to recognize the limitations of this study. As this research focused on the United States, we need to be attuned to the ways in which bankruptcy (Pardo 2021) and credit

(Bittmann 2018) and welfare policy (Fox 2012) are intertwined with race and sectional tensions. Recent comparative analyses suggest that credit and welfare need not complement one another, but are often simultaneously employed by citizens to meet their needs (Wiedemann 2021). As such, a broader research agenda should compare cross-nationally whether policymakers' interpretations of creditor-debtor relationships were influential in shaping further credit market and welfare state development. Relatedly, this study's focus on how a particular set of philanthropic policy experts and their allies helped to enact credit policy expansions in early twentieth century America (Anderson et al. 2015) should caution against broad generalizations without research on further cases of American credit market expansions.

Despite the particularities of the case, this research speaks to discussions of credit and debt in contemporary economies. Access to credit on "fair" terms remains a core goal of the liberal state (Hyman 2011; Krippner 2017). Therefore, the push and pull of blame for failure is central to reproducing and challenging creditor-debtor inequality. For example, the 2005 Bankruptcy Abuse Prevention Consumer Protection Act limited access to debt relief through personal bankruptcy (Sullivan et al. 2006). Yet subsequent to the Great Recession, lending institutions struggled to deflect blame for the crisis (Nicol 2018). My research suggests that in attempting to tame lender misconduct through regulation without providing citizens alternative means of social welfare, policymakers may ultimately reproduce the inequity in the creditor-debtor relationship.

Chapter 2: Mediating the Risks of Debt: Market Rationalization, Wage-Garnishment, and the Democratization of Bankruptcy

In August 1918, Heinrich Meyer[13], a German immigrant and factory worker earning $328 a week in Milwaukee, Wisconsin, petitioned for bankruptcy protections. He reported a single unsecured debt of $5,250 to another German immigrant, Bertha Schneider, who had obtained a civil judgment against him for breach of contract on a house purchase. He only reported $2,344 in household assets, which he claimed as exempt under Wisconsin state law. Unfortunately for him, whereas most wage-earner bankruptcies were uncontested by creditors, Mrs. Schneider contested his discharge. In his examination, he denied owning any luxury goods, such as jewelry or a phonograph. He said that he had borrowed money from his son-in-law and friends to finance his move to the United States early in the decade. While he had accumulated savings of over $17,000 by 1917, he claimed that it had all been spent down on clothes, coal, stoves, and a dining table set for his daughter. That winter he was also unable to work for an extended period as he obtained treatment for rheumatism. Mrs. Schneider's attorney, by contrast, pressed that he was exaggerating the extent of his illness and was concealing money and assets. Ultimately, Mr. Meyer was ordered by the referee to pay $7,812 to the trustee for distribution to Ms. Schneider, among other creditors who had come forward. Though this case may have been atypically litigious, it lays bare the moral economies of bankruptcy in the early twentieth century, of debtors pleading hardship and creditors claiming debtor avoidance of just debts.

At the same time, government and market actors expanded credit markets oriented towards individual borrowers (Hyman 2011; Quinn 2019). While many early twentieth-century researchers argued that bankruptcy was the result of personal irresponsibility in credit markets

[13] A pseudonym. All income, debt, and asset figures are converted to 2020 $ for ease of interpretation.

(Cover 1938; Sadd and Williams 1933), others suggested that most wage-earner bankruptcies were caused by “loan sharks” taking advantage of states’ wage-garnishment process[14], which left borrowers with no means to support themselves while servicing their debt loads (Nugent 1931). This perspective focused on the relative risks and costs of debt borne by borrowers. These researchers, working for the Russell Sage Foundation (RSF), aimed to rationalize personal credit markets so that individuals could support themselves and their families using credit contracted on “fair” terms. Rather than advocating for direct welfare or subsidized lending, they advocated that states increase their legal interest rates while banning extra charges through the Uniform Small Loan Laws (SLL) (Anderson 2008). Increased usury caps would encourage reputable lenders to enter personal loan markets, while strong legal enforcement would help to drive out oppressive “loan sharks,” or illegal lenders who preyed on unsophisticated and desperate working-class borrowers.

Empirical scholarship has challenged the RSF’s argument that SLLs would reduce bankruptcy rates. Hansen and Hansen (2020) contend that SLLs, through expanding credit markets, also increased individual debt loads. In turn, states that facilitated the garnishment of debtors’ wages pushed a subset of debtors to seek escape through petitioning for bankruptcy protections. This argument aligns with political economic research that highlights how state policies that affect the relative cost of bankruptcy shapes whether individuals will decide to petition for bankruptcy protections or manage debts outside of the bankruptcy system (Fay et al. 2002). Other socio-legal studies, similarly examine how credit extension raises individuals’ risk of economic catastrophe, and ultimately petition for bankruptcy protections (Sullivan et al.

[14] I use the term “wage garnishment” to refer to a few related practices in which lenders could directly or indirectly (via a court order) obtain payment on debts from the debtor’s employer. Technically, garnishment is when a creditor attaches property that is owned by the debtor but which is held by a third party (Nugent et al. 1936:2).

2000). Nevertheless, this focus on the decision to file for bankruptcy leads this scholarship to overlook whether state efforts to expand credit markets, such as through SLLs, actually increased credit use. Other scholarship illuminates how by increasing creditors' risks through larger debt exemptions (both in and out of the bankruptcy system) states simultaneously limit credit extension (Gropp et al. 1997) while reducing debtors' economic precarity (Martin 2022). It is unclear, however, if these findings apply to the expansion of personal credit and bankruptcy in the early twentieth century. In particular, how did state-level credit policies that mediate the risks of debt between creditors and debtors, such as SLLs and garnishment laws, shape patterns of credit extension? In turn, how do these policies affect who petitioned for bankruptcy protections in the early twentieth-century United States?

This study examines these questions through analyses of how state-level credit policies relate to where individuals are more likely to borrow money and where individuals are more likely to be bankruptcy petitioners. I focus on a time period covering the end of World War I, at the cusp of the expansion of rational personal credit markets (Hyman 2011:11-13). For bankruptcy analyses, I compiled a new sample of bankruptcy petitions in 1918-19 from 16 cities across 14 states. Credit analyses rely on the 1918-19 Bureau of Labor Statistics Consumer Purchases survey of working-class men in 92 cities and towns across 29 states. I analyze these data using multilevel regression modeling with state-level random intercepts. There is significant state-level variation in the policies that shifted the relative risks of debt.

Employing new data on bankruptcy petitioners, I confirm Hansen and Hansen's state-level (2020) bankruptcy findings. Bankruptcy petitioners are less likely to be personal filers in states that had enacted SLLs. They also are more likely to be personal in states with SLLs that also facilitated the garnishment of debtors' wages. However, credit analyses shed light on the mechanism that drives this finding. I show that credit market rationalizations through SLLs per se did not lead to increases in personal lending. Rather, personal borrowing only increased in states with SLLs that also facilitated lender garnishment of debtors' wages and decreased in states with SLLs that prohibited wage-garnishment. In turn, though easy garnishment laws and SLLs produced high bankruptcy rates, this effect is likely the result of lenders being more likely to extend credit when they can collateralize their risks through the wage-garnishment process. Final descriptive analyses of debts held by St. Louis, Missouri bankruptcy petitioners from 1900 to 1939 supports this interpretation. Small loan debts become no more common on bankruptcy petitions following Missouri's 1927 enactment of a SLL.

In examining a key period in the creation of American personal credit markets, this study builds on past scholarship by confirming how laws that shape the relative risks and cost of paying debts outside of the bankruptcy system influence who petitions for bankruptcy (Hansen and Hansen 2020). Nevertheless, debt analyses reveal how this is shaped by creditor decisions on when to extend credit. Increased credit usage does not necessarily follow from credit market rationalizations; rather, lenders extend credit when they can also collateralize their risks of default, such as through garnishing debtors' wages. In sum, states with SLLs and easy wage garnishment had large proportions of personal bankruptcies, not because debtors strategically petitioned for bankruptcy protections (Fay et al. 2002), but because those state's legal regimes incentivized greater credit extension. This study integrates sociological and political economic research on credit (Gropp et al. 1997; Martin 2022) to show how state laws that mediate the costs and risks of debt shape the "democratization" of credit and bankruptcy (Krippner 2017). It also highlights how the creation of rational personal credit markets indirectly facilitated a shift towards treating wages as a source of capital (Bittmann 2021).

Background:

The Expansion Personal Credit Markets and "Crisis" of Wage-Earner Bankruptcy

Alongside the urbanization of the United States and rise of the corporate form (Cohen 1990; Lamoreaux 1988), personal credit markets rationalized and expanded. The enactment of America's first stable bankruptcy law in 1898 was an important precursor to this shift. Bankruptcy rationalized creditor-debtor relations through prioritizing creditors' claims to debtors' assets across state lines. Though the envisioned prototypical bankrupt was a company or a man engaged in business, it also allowed insolvent wage-earners and farmers to voluntarily petition for bankruptcy, with the level of personal assets exempt from creditor collection set by the states (Skeel 2001:35-43). In this judicial system, creditors, through a trustee, were expected to represent their interest to maximize their dividend of non-exempt and non-collateralized assets. Absent proof of debtor malfeasance, the petitioner would receive a final discharge of his/her obligations (Hansen and Hansen 2020:35-7). Yet rising numbers of "wage-earner bankruptcies" in the 1920s engendered concern that creditors were unable to recoup losses from a tide of low or no-asset bankrupts.

The growth of personal credit in the early twentieth century was accomplished through the combined efforts of governmental, business, and nonprofit actors. In order to solve the longstanding problem of stably extending credit from the Northeast to Western and Southern farmers, Progressive Era federal legislators created a system of land banks through the 1916 Federal Farm Loan Act (Quinn 2019:48-87). Yet most non-mortgage credit at this time existed within personal relationships between borrower and lender. Individuals used market credit in the form of store credit (Cohen 1990:109-12) and installment purchases (Calder 2000:156-83). In the period after World War I, automobile companies, soon followed by other manufacturers, pioneered the financialization of consumer purchases. Little changed for the buyer who bought an automobile on credit through a finance company, as he made payments with interest similar to other installment sales. Yet finance companies' reliance bank capital facilitated dramatic increases in credit extension (Hyman 2011:20-36). Integrating consumer purchases into the financial system helped to stimulate demand for durable goods (Olney 1989:86-134).

A significant part of this economic transformation occurred on the state-level backed by an alliance of social reformers and lenders. States largely determined the parameters of the creditor-debtor relationship, through setting the legal interest and level of debt exemptions (Underwood 1916). Social reformers became concerned that working-class families were relying on "loan sharks" to overcome hardships, such as illness and job losses. In turn, high interest rates of up to 400% per annum led many of them to fall into insolvency and become reliant on charity (Fleming 2018:12-46). The Russell Sage Foundation (RSF) sought to solve this social problem through creating legalized, rational loan markets that would allow working-class individuals to obtain credit apart from illegal "loan sharks". Their Uniform Small Loan Law (SLL) increased states' usury cap to 42% per annum while prohibiting extra charges. It was based on the theory that by allowing reputable lenders to cover their risk of debtor default through interest charges, it would create a fair market that would put the "loan sharks" out of business (Anderson 2008; Fleming 2018:47-77). In retrospective analyses, Assistant Director of Remedial Loans at the RSF Rolf Nugent argued that the SLL "undertook to create a legalized market, in which borrower and lender could meet and agree on terms, and to protect the borrower against fraud and abuse" by "loan sharks" (1933:35-6). SLLs were ultimately enacted in 32 states by 1934, with enactment most likely in urbanized states with lower manufacturing wages and less bank credit (Carruthers et al. 2012).

By the end of the 1920s, the United States had a legal and financial infrastructure that allowed individuals to utilize market credit to move future consumption to the present (Hyman 2011:10-12). These expansions in credit markets led to rapid increases in personal debt, from 4.5% of income in 1900 to 4.7% of income in 1920 to 9.3% of income in 1930 (Olney 1989:87-90). Yet anxieties about the morality of personal debt persisted. Calder sheds light on how social actors in the 1920s frame "consumptive credit" as a disease that would turn independent citizens into feminine spendthrifts (2000:212-35). These concerns are reflected in examinations of the causes of "wage-earner bankruptcies" (Douglas 1933). An major study completed in collaboration between the U.S. Department of Commerce and Yale Law School argued that the bankruptcy court had become a "sanctuary where debtors can obtain cancellation of their debts, regardless of how they may have wasted their property, or how fraudulently, extravagantly, or improvidently they may have created obligations" (Sadd and Williams 1933:5). Another study of 400 Chicago bankruptcies more broadly framed them as also due to income loss (14%) and illness (11%), as well as the result of speculation (20%) and extravagance (17%) (Cover 1938:86-7). These studies suggested that to reduce bankruptcies lenders should voluntarily restrict credit to the improvident.

In contrast to these studies, researchers at the RSF contended that bankruptcy rates were the result of "loan sharks" who took advantage of states' easy garnishment procedures, *not* the expansion of credit markets through SLLs. While also blaming bankruptcies on a "breakdown in old fears about debt", Nugent argued that states that facilitated the garnishment of debtors' wages had more wage-earner bankruptcies, especially given the employer norm of discharging employees rather than managing the wage garnishment process. Relying on data from Kentucky, which had easy wage-garnishment and (at the time) no SLL, he further argued that it was the absence of SLLs that led debtors to fall into cycles of borrowing at interest rates of 240% per annum to pay extant debts. Bankruptcy was the ultimate result. In sum, "bankruptcy is caused by the racketeers and not by legitimate business" (Nugent 1931:10-1, 50-1). The RSF was not against easy wage garnishment per se. Rather, they were concerned about how it could be weaponized against debtors struggling to make ends meet (Nugent 1935). During the Great Depression, market credit and debt were established parts of the American political economy. Nevertheless, subsequent increases in personal bankruptcies engendered concerns about debtor irresponsibility and continued "loan shark" oppression of debtors.

Theory:

Credit Market Expansions, Economic Precarity, and Strategic Bankruptcy Decisions

Contemporary research on personal bankruptcy sheds light into how individual precarity and state legal regimes shift debtors' incentives to file for bankruptcy. While sociological scholarship emphasizes the role of economic precarity in the decision to petition for bankruptcy protections (Maroto 2015), political economic research highlights how this decision is affected by state and federal laws that alter the relative cost of bankruptcy (Fay et al. 2002). Hansen and Hansen (2012) apply this economic framework to the early twentieth century to demonstrate that states that expanded their credit markets through SLLs and facilitated the garnishment of debtors' wages had higher bankruptcy rates (Hansen and Hansen 2012).

Sociological research on the decision to petition for bankruptcy protections shows how increased debt loads puts individuals at risk of insolvency and the decision to petition for bankruptcy. This research is embedded in the study of the "financialization" of the American economy and rising levels of personal indebtedness (Houle 2014; Krippner 2011:27-57). For example, Sullivan, Warren, and Westbrook theorize personal bankruptcy as a risk of debt, in which "high consumer debt loads increase families' vulnerability to every other problem – job, medical, divorce, housing – that befalls them" (2000:22). Research in this tradition illuminates how these adverse life events compound over time to increase people's risks of insolvency and ultimately the need to petition for bankruptcy (Maroto 2015). Contextualizing these findings in the socio-economic hierarchy, the middle-class is uniquely vulnerable to bankruptcy because they have access to credit – unlike working-class families – yet without the wealthy's financial resources to endure adverse shocks (McCloud and Dwyer 2011). This scholarship suggests that given more developed credit markets, individuals will increase their borrowing. In turn, high debt loads will lead an unlucky subset to file for bankruptcy.

By contrast, political economic research uncovers how state and federal policies incentivize individuals to either attempt to manage debt loads outside of the bankruptcy system or to "strategically" petition for bankruptcy. For example, Fay, Hurst, and White (2002) exploit state-level variation in the amount of real estate and personal assets that are exempted from collection in bankruptcy proceedings to estimate individuals net financial benefit of receiving a discharge in bankruptcy. Their model predicts that for every $1,000 increase in financial benefit, there will be a 7% increase in personal filing rates. Turning to the choice to pay debts under court supervision and retain current properties under Chapter 13 bankruptcy, versus receiving a straight discharge through Chapter 7, Domowitz and Sartain (1999) show that homeownership is predictive of individuals choosing Chapter 13 bankruptcy. In turn, changes in federal bankruptcy laws also result in changes to debtors' likelihood to petition for bankruptcy. Specifically, Li, White, and Zhu (2011) note that the 2005 bankruptcy reform increased filing fees, introduced a means-test to direct individuals with above-median incomes to Chapter 13 bankruptcy (which generally results in lower levels of debt relief), and capped the size of home exemptions. They demonstrate that individuals became less likely to petition for bankruptcy and more likely to default on their mortgages. Legal frameworks that alter the costs of managing personal debt inside versus outside of the bankruptcy system shape when individuals will petition for bankruptcy protections.

Figure 2.1A: Small Loan and Garnishment Laws by State, 1918

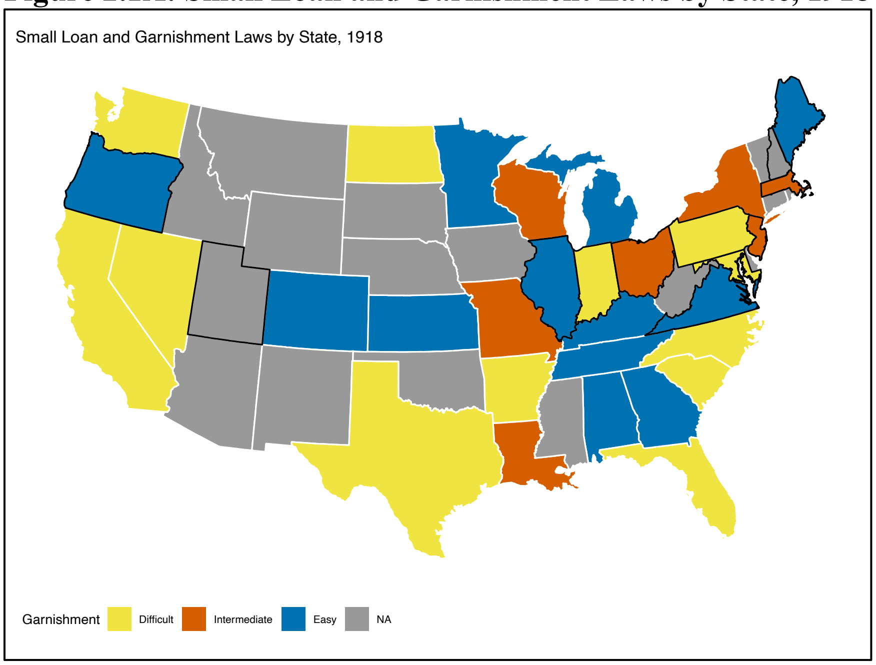
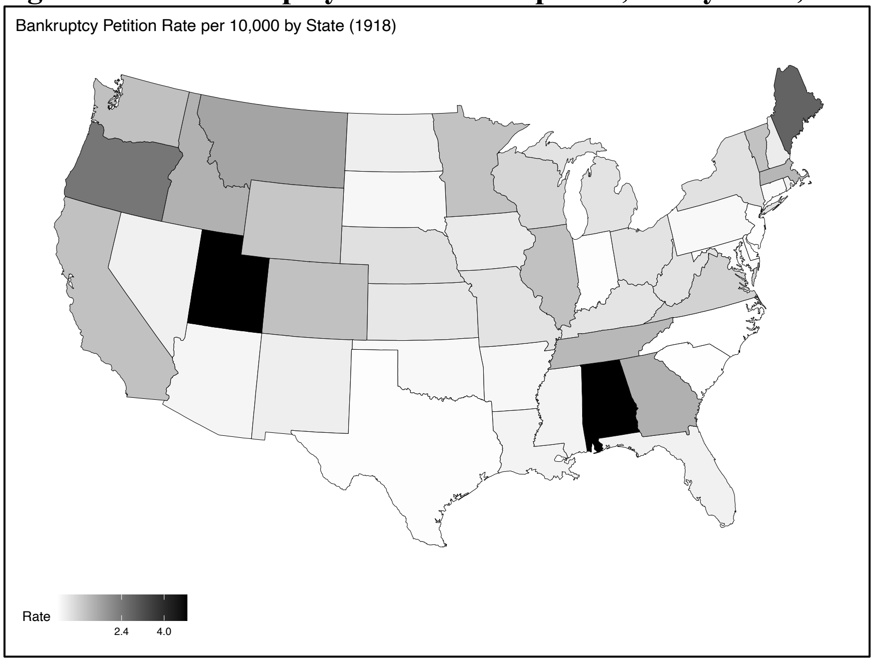


Figure 2.1B: Bankruptcy Petition Rate per 10,000 by State, 1918



Scholars have applied the political economic framework to the early twentieth-century United States to demonstrate that SLLs interacted with wage-garnishment laws to affect the bankruptcy rate. Prior to the Consumer Credit Protection Act of 1968, states fully determined the wage-garnishment procedure (Kagan 1984:342). Past researchers detailed how state laws in the early twentieth century varied in the extent to which they allowed lenders to garnish debtors' wages (Nugent et al. 1936; Sturges and Cooper 1933).[15] See Figure 2.1A above and Appendix B. In particular, wage garnishment was over 5 times more common in states that facilitated lender garnishment over those that made it difficult (Nugent and Jones 1936:293). States with SLLs as of 1918 are outlined in black. Hansen and Hansen's (2012) analyses reveal that states that facilitated the garnishment of debtors' wages had significantly higher bankruptcy rates than states that made wage-garnishment difficult in the 1920s. This gap widened in the Great Depression. Further analyses show how garnishment laws interact with SLLs. States with the

[15] Additionally, I am able to classify Wisconsin via RSF records (Starr 1934).

highest bankruptcy rates were those that had enacted a SLL and also allowed for easy wage-garnishment. See Figure 2.1B above. They contend that credit market expansions through SLLs helped individuals to take on more debt, which resulted in personal bankruptcies when insolvent wage earner's faced wage garnishment (Hansen and Hansen 2020:49-50).

These studies uncover how legal factors that shaped credit use and the resultant costs of managing debt influenced the decision to file for bankruptcy in both contemporary America and the early twentieth century. This research aligns closely with 1930s scholarship that articulated that larger credit markets led individuals to irresponsibly become indebted and then slough off their obligations through bankruptcy proceedings (Cover 1938; Sadd and Williams 1933). State policies that expand credit markets will lead individuals to take on more debt. In turn, adverse life events or state policies that shape the costs of filing for bankruptcy, will lead an unlucky or strategic subset of debtors respectively to petition for debt relief through bankruptcy.

State Legal Regimes and the Mediation of the Risks of Debt

Other political economic and sociological research that examines the terms of credit offers a different perspective on the expansion of personal lending and bankruptcy in the early twentieth-century United States. Sociological research highlights how the conditions of credit, in terms of price and collateral, mediate the relative risks of debt between creditors and debtors (Martin 2022). Political economic research on credit similarly uncovers how lenders extend more credit when they are able to reduce their relative risks through state facilitation of debt collection (Gropp et al. 1997). This scholarship helps us understand how state policies simultaneously affect debtors' precarity in markets and creditors' decisions to extend credit.

Policy efforts to facilitate the creation of self-supporting economic citizens are intertwined with state efforts to mediate the risks borne by creditors versus debtors. This research theorizes the expansion of personal credit markets as a privatized social safety net in the United States. Rather than relying on the state to provide for their personal needs, individuals turn to credit markets to support consumption and make investments. While this “risk shift” raises individuals’ cost of self-provisioning through interest charges and exposure to economic downturns (Hacker 2008), it avoids the political tensions inherent in direct government spending (Quinn 2019:11-4). As such, the state offers consumer protection policies, including debt relief in bankruptcy, that allow individuals to mitigate their risks (Prasad 2012:181-95; 227-45). States also limit debtors’ relative risks through exempting assets from non-bankruptcy debt collection, such as homes or a percentage of wages. Martin (2022) finds that more generous state-level debt exemption laws are related to reduced economic precarity for middle-class families, especially during economic downturns. In terms of the cost of credit, Skiba and Tobacman (2019) demonstrate that reliance on expensive payday loans doubles an individual borrower’s likelihood of subsequently petitioning for bankruptcy. They provide evidence that high debt service costs generate cash flow issues that debtors resolve through filing for bankruptcy. Given that credit markets in contemporary America are largely national, state payday loan regulations are ineffective in reducing the state-level bankruptcy rate (Lefgren and McIntyre 2009). States and the federal government jointly pattern the risks that debtors experience.

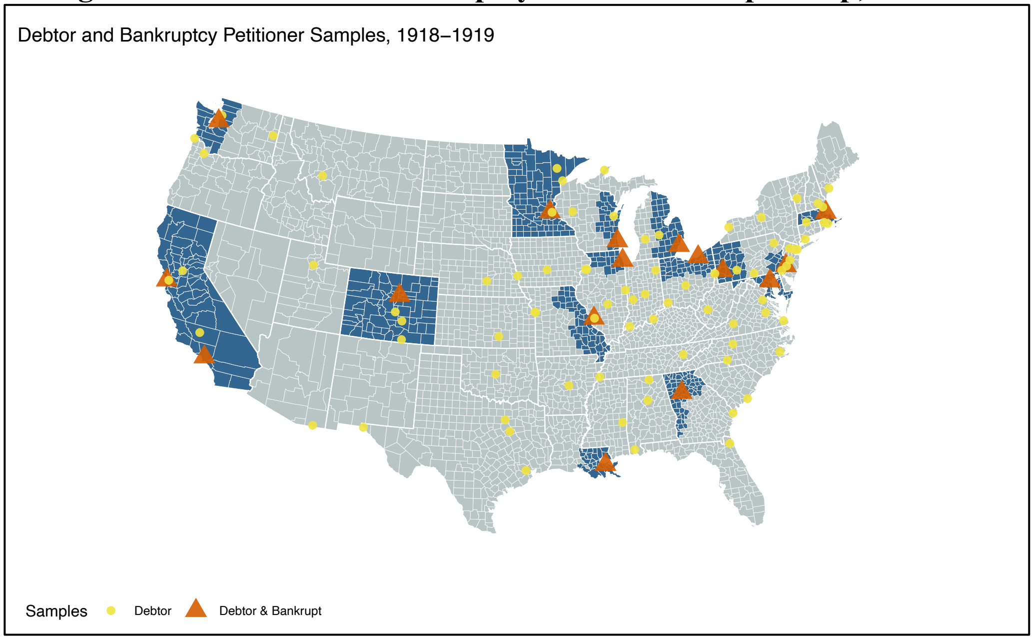
Political economic research also uncovers how creditors respond to state policies that influence their relative risks. This research reveals that lenders in modern America may be sensitive to the extent of debt relief in bankruptcy. For example, Gropp, Scholz, and White (1997) show that in states that allow bankruptcy petitioners to protect more of their property from debt collection leads to less credit use among low-income borrowers. This insight extends to the cost of credit. Research has demonstrated that the 2005 bankruptcy reform, which reduced average levels of debt relief, also led to decreases in credit card interest rates, especially among subprime borrowers. Specifically, a 1% decline in filing risk within a 10-point credit score segment causes a 0.07% decrease in annual interest rates (Gross et al. 2019). By contrast, policies that cap the interest rates that creditors can charge, including nineteenth and early twentieth-century usury laws, resulted in smaller credit markets (Benmelech and Moskowitz 2010). As such, American personal credit markets dramatically expanded following the U.S. Supreme Court's *Marquette* decision in 1978, which invalidated enforcement of state interest rate caps against out-of-state banks (Hyman 2011:244-7). In legalizing higher credit prices and reducing creditors' losses in debtor default, state policies promote the growth of market credit.

These literatures collectively shed light on how state policies that mediate the risks of debt shape experiences of debtor precarity, as well as creditors' lending decisions. It also aligns closely with the RSF's conceptualization of SLLs and bankruptcy. Rationalizing the creditor-debtor relationship through legalizing small loan markets with state regulation of lender behaviors would reduce debtors' risks, ultimately resulting in fewer wage-earner bankruptcies (Nugent 1931; 1933; Skiba and Tobacman 2019). SLL's legalization of interest rates of 42% per annum, additionally shifted the relative risks of debt towards lenders, who could no longer illegally charge up to 400% per annum (Anderson 2008). Though the RSF intended that newly legalized small loan markets would draw in "reputable" lenders, it is also likely that reducing real interest rates through SLLs limited the size of credit markets (Benmelech and Moskowitz 2010). In sum, if we conceive of SLLs as a means to rationalize the creditor-debtor relationship and reduce debtors' relative risks, then they would not per se result in increased credit use.

Hansen and Hansen (2020) find that bankruptcy rates were the highest in states with SLLs and easy wage garnishment. They argue that this is the result of high levels of personal indebtedness combined with aggressive wage-garnishment, which led debtors to seek relief through bankruptcy. The relative risk perspective suggests an alternative mechanism for this finding. SLLs per se did not lead to more credit extension; rather, SLLs resulted in larger credit markets when lenders could collateralize their risks of debtor default through easy wage garnishment. States with SLLs and easy wage garnishment had high bankruptcy rates because they had the largest credit markets, not because debtors there had an increased propensity to petition for bankruptcy protections. SLLs' reduction in debtors' risks would be manifest in a smaller proportion of personal bankruptcies among all petitioners. State credit policies that mediate the relative risks of debt between creditors and debtors shape levels of credit extension, which affects the number of debtors who are at risk of petitioning for bankruptcy protections.

Data and Analytic Strategy:

Figure 2.2: Debtor and Bankruptcy Petitioner Sample Map, 1918-1919



This research relies on two data sources that allow for systematic analyses of patterns of credit extension and bankruptcy at the cusp of the expansion of American personal credit markets and rise in bankruptcy rates. I analyze a new sample of bankruptcy petitions filed between June 1918 and March 1919 in 16 court districts centered on cities also sampled at the same time by the Bureau of Labor Statistics (BLS) Cost of Living Survey (described below). These petitions were sampled from America's second[16] through tenth largest cities in 1920: Chicago, Philadelphia, Detroit, Cleveland, St. Louis, Boston, Baltimore, Pittsburgh, Los Angeles. Based on data availability, I also collected data from other large American cities in order to build in policy (SLL and garnishment law) variation. I also aimed to ensure regional variation in the sample. Cities sampled include: San Francisco, Milwaukee, New Orleans, Minneapolis, Seattle, Denver, and Atlanta. See triangles in Figure 2 above. The court districts are in blue.[17] These records were collected from the National Archives at Kansas City. See Appendix B, Table 1.

Table 2.1: Bankruptcy Sample Summary Statistics, 1918-1919[18]

	Bankruptcy Petitions	U.S. Census
White	0.99	0.95
Black	0.00	0.05
Immigrant	0.34	0.31
Man	0.94	0.49
Married	0.88	0.54
	(0.33)	(0.50)
Number of Children	2.51	1.05
	(2.41)	(1.64)
Age	42.98	37.96
	(10.32)	(15.11)
Industry Category		
- Agriculture	0.029	0.077
- Mining	0.004	0.016

[16] The National Archives discarded bankruptcy petitions from New York State during this time period.
[17] All court districts have multiple meeting locations; therefore, a large majority of petitions were filed by individuals who lived in the focal city or nearby locales (e.g., Oakland residents in the San Francisco sample).
[18] Excluding "Men", all U.S. summary statistics are for men over the age of 16. Descriptive statistics on industrial categories are further limited to Personal bankruptcy petitioners.

- Construction	0.122	0.054
- Manufacturing	0.140	0.210
- Transport & Utilities	0.058	0.085
- Trade	0.262	0.085
- Finance & Real Estate	0.024	0.017
- Personal Services	0.055	0.029
- Professional Services	0.051	0.028
- Public Administration	0.021	0.022
- Not in Labor Force	0.019	0.371
- General Worker	0.112	0.005
Property	0.38	0.40
	(0.48)	(0.49)
Personal Bankruptcy (0,1)	0.68	
	(0.47)	
SLL (0,1)	0.66	
	(0.47)	
Easy Garnish (0,1)	0.17	
	(0.37)	
Difficult Garnish (0,1)	0.32	
	(0.47)	
Secured Debts	103,723	
	(1,836,946)	
Unsecured Debts	144,964	
	(14,575,750)	
Other Debts	16,937	
	(143,876)	
Non-Exempt Assets	129,939	
	(722,944)	
Banks Per Capita (per 10,000)	2.39	
	(0.97)	
Closures Per Capita (per 10,000)	1.37	
	(0.64)	
Average Manufacturing Wage	21,638	
	(2,064)	
Bankruptcy Rate (per 10,000)	0.66	
	(0.41)	

In comparison with the residents of the same counties enumerated in the 1920 U.S. Census, bankruptcy petitioners are nearly all white and overwhelmingly men, though they are about as likely to be immigrants as the population.[19] Comparing petitioners to the population of men over age 16, bankruptcy petitioners are much more likely to be married, have larger

[19] Bankruptcy petitions were manually linked to census records via name, city of residence, and occupation via Ancestry.com. There was a 62% linkage success rate.

families, and are older than other residents. Bankruptcy petitioners are about as likely to report owning real estate as the overall population. Finally, though neither the bankruptcy sample nor the U.S. Census includes individual-level information on income, petitioners were much more likely to be in the labor force, and work in construction, trade, or professional services.[20]

I also employ data on personal credit drawn from the BLS Cost of Living Survey (1992; Olney 2006). Conducted amid concerns of the rising cost of living at the end of the First World War (Jacobs 2005:63-6), this survey was fielded in 99 cities and towns across 42 states in the between July 1918 and March 1919. While social reformers and academics conducted other budget and credit studies (e.g., Bolard More 1907; Seligman 1927), this survey is the most comprehensive individual-level study of working-class incomes and expenditures, including credit extension, in the first decades of the twentieth century (Gratton and Rotondo 1991; Olney 1998). See Figure 2.2 of survey locations above and Appendix B, Table 2.

Survey enumerators interviewed married households in which the husband was employed as a wage-earner and not receiving state or charitable relief. While not a fully representative sample, respondents are comparable to other married men in these cities from the 1920 U.S. Census. See Table 2.2 below. Respondents are as likely as the broader population to be white, and have the same number of children. However, they are approximately 5 years younger than the married male population and are less likely to own their homes. There is no national-level information on incomes. Nevertheless, respondents' incomes (inflated to January 2020 $) are somewhat higher than the state-level manufacturing wage. They are also comparable, though with much less variance, to Des Moines and Davenport incomes recorded in the 1915 Iowa State

[20]Among petitioners, 11% reported a generic occupation (e.g., laborer, wage-earner). The remaining occupations were categorized according to the IND1950 variable created by IPMUS (Ruggles et al. 2019). Census records were also categorized by this variable.

Census (Goldin and Katz 2010). This survey allows us to infer the debts held among a middle-income, urban cross-section of American society.

Table 2.2: Bureau of Labor Statistics (BLS) Debtor Sample Summary Statistics, 1918-1919

	BLS, 1918-1919	**U.S. Census, 1920**
White	0.93	0.94
Black	0.07	0.06
Husband Age	36.98	41.89
	(8.59)	(11.54)
Number of Children	2.44	2.53
	(1.45)	(1.64)
Homeowner	0.26	0.35
	(0.44)	(0.41)
Savings	1,757	
	(2,211)	
Annual Income /	23,436	20,641
Manufacturing Wage	(6,645)	(183.49)
- Des Moines	23,264	22,623
	(6,410)	(22,999)
- Davenport	23,327	18,027
	(6,629)	(15,885)
Unsecured Loans	89.27	
	(611.63)	
Small Loan Law (0,1)	0.39	
	(0.49)	
Difficult Garnishment	0.24	
(0,1)	(0.43)	
Easy Garnishment (0,1)	0.26	
	(0.44)	
Banks Per Capita	2.69	
(per 10,000)	(1.65)	
Business Closures	1.29	
(per 10,000)	(0.62)	

The strength of these data is its inclusion of individual-level information on debtors and bankruptcy petitioners at a historical turning point in the expansion of American personal credit markets. They also include information on state-level credit policies. Furthermore, while other scholars have either examined bankruptcy rates across states (Hansen and Hansen 2020; Sturges and Cooper 1933) or bankrupts within states (Nugent 1931; Sadd and Williams 1933) during this time period, this is the widest sample of bankruptcy records that overlap with personal debt records in the early twentieth century. These analyses allow me to examine whether the laws that shaped the creditor-debtor relationship for working-class households also affected the population of people who filed for bankruptcy.

These data are limited insofar as they capture a narrow, male slice of urban America – especially the smaller bankruptcy sample – at a single point in time. It was collected during a unique period in American history at the end of the First World War and in the midst of the 1918 Influenza Pandemic (Crosby 1989). This limits our ability to make causal inferences about how changes in state legal regimes led individual wage-earners to take on more/less debt and be more/less likely to petition for bankruptcy over time. Finally, though the debtor and bankruptcy petitioner data are collected in overlapping locales, they are not fully comparable. The bankruptcy sample does not contain information on small loan debts or information that would help to examine the effects of adverse life events (Maroto 2015).

To understand if my sample is temporally unique, I examine the correlation between state-level bankruptcy rates over time. I find that they are highly path-dependent with a correlation coefficient of 0.88 between 1918 and 1925 and 0.79 in relation to 1930 among states that did not experience legal changes, even as the median bankruptcy rate more than tripled from 0.38 to 1.26 (1925) and 1.53 (1930). For example, while Missouri's bankruptcy rate rose from 0.47 in 1918 to 1.6 (1925) to 1.53 (1930), its relative position among states remained stable.[21] This suggests that state economies, laws, and legal cultures persistently shaped credit and bankruptcy across the 1920s. Finally, in order to understand if bankruptcy petitioners actually held small loan debts and whether this changed over time, I describe the sources of small loan debts (banks, small loan companies, individuals, and businesses) among a random sample of

[21] Missouri's bankruptcy rate was the 24th highest in 1918, 22nd highest in 1925, and 26th highest in 1930.

1,291 St. Louis, Missouri personal bankrupts collected and transcribed by Hansen and Hansen (2020:22-5) from 1900 to 1939.[22]

To analyze my data, I rely on hierarchical random effects regression that models intercepts and slopes for each state to examine the role of state credit policies on individual-level outcomes. This modeling choice is necessary to adjust for unobserved state-level heterogeneity while pooling information across relatively small group samples (Gelman and Hill 2006:245-7). As these data are cross-sectional, state level-dummy variables (fixed effects) are not appropriate.

The dependent variable in bankruptcy analyses is a binary variable of whether the petitioner is an individual (1) or business (0). This outcome variable is meaningful because nineteenth-century legislators envisioned bankruptcy as primarily for businesses. Therefore, the emergence of "wage-earner bankruptcy" was a topic of social concern as a signal of economic precarity (Nugent 1931) or irresponsibility (Douglas 1933; Sadd and Williams 1933) produced in credit markets. There was no legal division between business and personal bankruptcy. I classify petitioners as business if their petition was involuntary (which was limited to those "engaged in business"), they identify as a company (e.g., "Company, Co., & Sons, & Bros.), or if they filed a petition in partnership with other individuals. To be clear, these analyses cannot estimate population-level likelihood of wage-earners filing for bankruptcy. I employ logistic regression to examine the likelihood that a bankruptcy petitioner is a personal filer.

The main predictor variables are whether the state had enacted a SLL (Hubachek 1941) and state law made it easy or difficult for lenders to garnish debtors' wages (Hansen and Hansen 2012). These analyses also adjust for individual-level covariates that correlate with whether a

[22] It contains every 10th box of bankruptcy petitions from the St. Louis Division of the Eastern District of Missouri (2020:22-5). I count all unsecured credit received from banks and small loan companies, as well as debts from individuals and businesses in which the debt is described using the following words: borrow, cash, money, or loan. I drop all debts that are missing descriptive information. Including these debts does not change the results.

bankruptcy petitioner was a personal or business filer. While I do not have information on individual lenders, I include covariates for secured, unsecured (including small loan debt), and other (e.g., tax, promissory notes) debts. In terms of assets, I include a variable for owning property, and the stated value of assets that are not exempt from distribution to creditors in bankruptcy (Li et al. 2011). I include broader economic and credit covariates related to the enactment of SLLs (Carruthers et al. 2012), including the state-level manufacturing wage (Haines 2010) and per capita number of business closures (U.S. Census Bureau 1918; 1919). Finally, though banks largely refrained from extending credit to individuals until the 1930s, I include the number of bank locations per 10,000 people as an additional measure of potential credit access (Flood 1998). Finally, it may be possible that a rising proportion of personal bankruptcy filers is simply a function of more bankruptcy petitions. Therefore, I also include the state-level bankruptcy rate (Hansen et al. 2016; Sullivan et al. 1994).[23] To improve ease of interpretation, all coefficients are reported as odds ratios. The final sample contains 1,518 bankruptcy petitions across 14 states.

For credit analyses, the dependent variable is a measure of the respondent's outstanding cash debt. This measure excludes merchant credit, items purchased through installment plans, and mortgages. It includes lending from legal and illegal small loan agencies, charitable lenders, pawnshops, and friends and family. While this variable is not segregated further by type of lender, it does capture the size of the small loan market oriented towards working class borrowers. This model examines how the amount of cash debt is shaped by state-level SLL and laws that facilitate or make challenging the garnishment of debtors' wages. These analyses employ Ordinary Least Squares (OLS) regression.

[23] In supplemental analyses, I also include covariates for age and the number of children on the smaller census-linked sample. Findings are robust to the inclusion of these factors.

I adjust for a number of individual and economic factors that may lead to increased or decreased borrowing. As Black Americans have long struggled to obtain unsecured credit, I include a dummy for race (Olney 1998). In terms of personal income, rising incomes may increase creditworthiness (McCloud and Dwyer 2011); however, absent a culture of financial risk-taking (Fligstein and Goldstein 2015), individuals with higher incomes may have been less likely to apply for loans. Finally, past research has shown that having children (Houle 2014) and owning a home is associated with greater debt loads (Hyman 2011:132-7). I also adjust for broader economic conditions that may have affected the supply and demand for credit (Carruthers et al. 2012; Martin 2022), including the average manufacturing wage, the number of banks per capita, and the number of business closures per capita. After dropping missing variables, the final sample is 11,319 observations across 29 states.

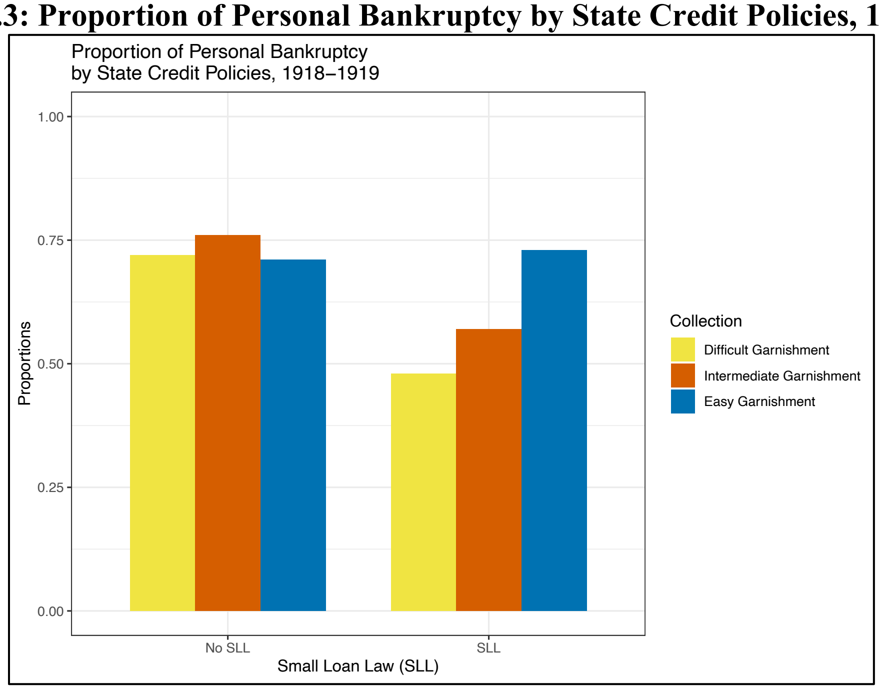
Results:

These findings confirm scholarship on how SLLs and wage-garnishment laws shaped the practice of bankruptcy (Hansen and Hansen 2020). In particular, SLLs reduce the likelihood that a bankruptcy petitioner is a personal filer, though it increases that likelihood in states that also facilitated the garnishment of debtors' wages. However, extending these analyses to personal credit, I show that state-level SLL enactment did not result in increases in credit use. Working-class men were only able to borrow more in states that also facilitated the garnishment of debtors' wages. Credit extension was reduced in states that made wage-garnishment difficult for lenders. In illuminating how creditors and debtors navigated regulations that shaped the risks of debt, these results show how SLLs reduced debtors' relative risks. This meant that creditors extended credit when they could utilize debtors' wages as collateral.

State Credit Policies and Personal Bankruptcy

Given state-level variation in bankruptcy rates (Figure 2.1B above), how do state credit policies shape the proportion of individuals (as opposed to businesses) who voluntarily petitioned for bankruptcy protections? I begin with descriptive results in Figure 2.3 below, which presents the proportion of personal bankruptcies by state credit policy regime. These results align with Hansen and Hansen's (2020) state-level findings on bankruptcy rates. Among states without SLLs, there is minimal variation in the proportion of personal bankruptcies, with all proportions ranging from 0.71 to 0.76. By contrast, there is substantial variation in the proportion of personal bankruptcies in states that had enacted SLLs, ranging from 0.48 in states that also made garnishment of debtors' wages challenging for lenders to 0.73 in states that facilitated wage-garnishment. While this is suggestive evidence that state-credit policies shaped the types of bankruptcy petitioners, this could also be explained by factors including variation in state economic conditions, wage and asset exemptions in bankruptcy, or petitioners' debt loads.

Figure 2.3: Proportion of Personal Bankruptcy by State Credit Policies, 1918-1919



Turning to regression modeling, I find that in states that had enacted SLLs by 1918, bankruptcy petitions are much less likely to be filed by individuals (Table 2.3, Model 1). In terms of additional factors that help us infer whether a given bankruptcy petitioner is a business or personal filer, having more unsecured debts, non-exempt assets, and owning property makes it less likely that a petitioner is a personal bankruptcy filer. In terms of economic and credit conditions, higher manufacturing wages is associated with it being more likely that a petitioner is a personal filer, while more business closures per capita relate to it being less likely that a bankruptcy petitioner is a personal filer. Finally, as increases in the proportion of wage-earner bankruptcies may be a result of broader state-level trends (Sullivan et al. 1994) in bankruptcy, I adjust for the state-level bankruptcy rate. This shows that increases in the bankruptcy rate correlate with a greater proportion of personal bankruptcy filers. These results provide support for scholarship that individuals are disincentivized to file when they have more assets that will be distributed to creditors in bankruptcy (Fay et al. 2002). It is also possible that more business closures (and bankruptcies) served to crowd out the proportion of individual bankruptcy petitioners, rather than engender additional personal bankruptcies. Finally, a measure of access to bank credit is not associated with the likelihood of a bankruptcy filer being an individual.

After incorporating an interaction between states' SLL and wage-garnishment laws, I find that in states that made it easy for lenders to garnish debtors' wages, it is much more likely for bankruptcy petitioners to be individuals (Table 2.3, Column 2). This is in comparison to states with "intermediate" garnishment laws. Additionally, these analyses show that SLLs continue to be related to a reduced likelihood that a petitioner is an individual filer. Surprisingly, analyses now suggest that personal filers are less likely in states that facilitate the garnishment of debtors' wages. While this may be noise related to the relatively small state sample, it is suggestive that garnishment laws alone did not strongly affect the likelihood that individual bankruptcies would predominate in the bankruptcy system. Finally, in this interacted model, all of the individual debt and asset and economic condition covariates remain identical as in the original model.[24] The main results are presented below in Figure 2.4.

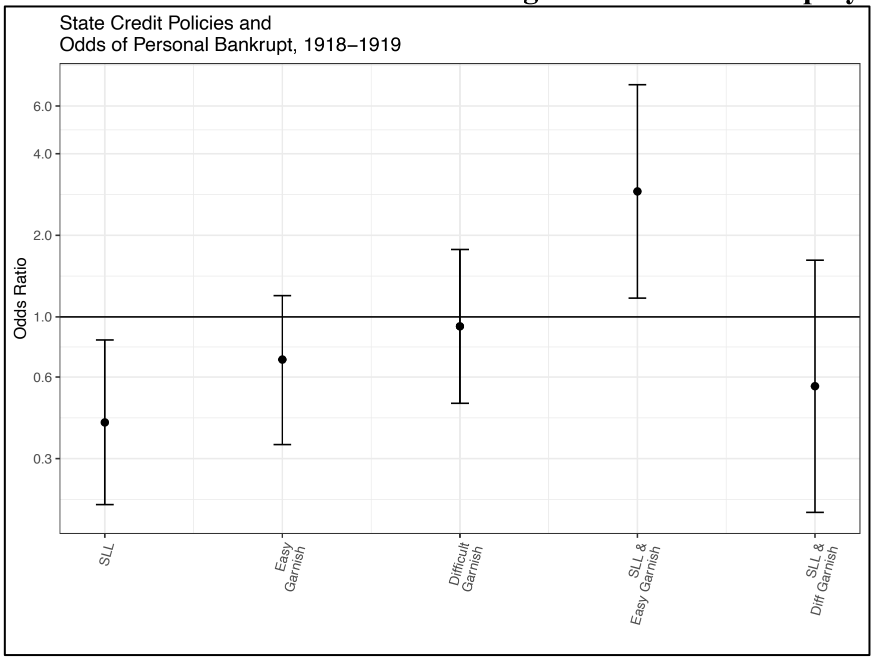
Table 2.3: Credit Policies and the Odds of Being a Personal Bankruptcy Petitioner

	Model 1	Model 2
SLL	0.546*	0.408*
	(0.153)	(0.146)
Difficult Garnish	0.616	0.923
	(0.172)	(0.307)
Easy Garnish	0.675	0.636
	(0.212)	(0.205)
SLL*Difficult Garnish		.553
		(0.303)
SLL*Easy Garnish		2.904*
		(1.343)
Secured Debts	1.000	1.000
	(0.000)	(0.000)
Unsecured Debts	0.999*	0.999*
	(0.000)	(0.000)
Other Debts	0.999	0.999
	(0.000)	(0.000)
Non-Exempt Assets	0.999*	0.999*
	(0.000)	(0.000)
Property	0.305***	0.319***
	(0.042)	(0.043)
Banks Per Capita	0.982	1.037
	(0.112)	(0.109)
Business Closures Per Capita	0.602	0.856
	(0.166)	(0.152)
Average Manufacturing Wage	1.088*	1.048
	(0.369)	(0.029)
Bankruptcy Rate	2.612*	2.896*
	(1.086)	(1.409)
Observations	1,521	1,521
Number of Groups	14	14

Note: Robust standard errors are in parentheses. * p<0.05, ** p<0.01, *** p<0.001 (Two-tailed)

[24] Additional analyses show SLLs and garnishment laws do not affect the amount of total or unsecured debts reported by personal bankruptcy petitioners. This suggests that SLLs and garnishment laws affected the population of debtors rather than the type of debtors who petitioned for bankruptcy petitions.

Figure 2.4: Credit Policies and the Odds of Being a Personal Bankruptcy Petitioner



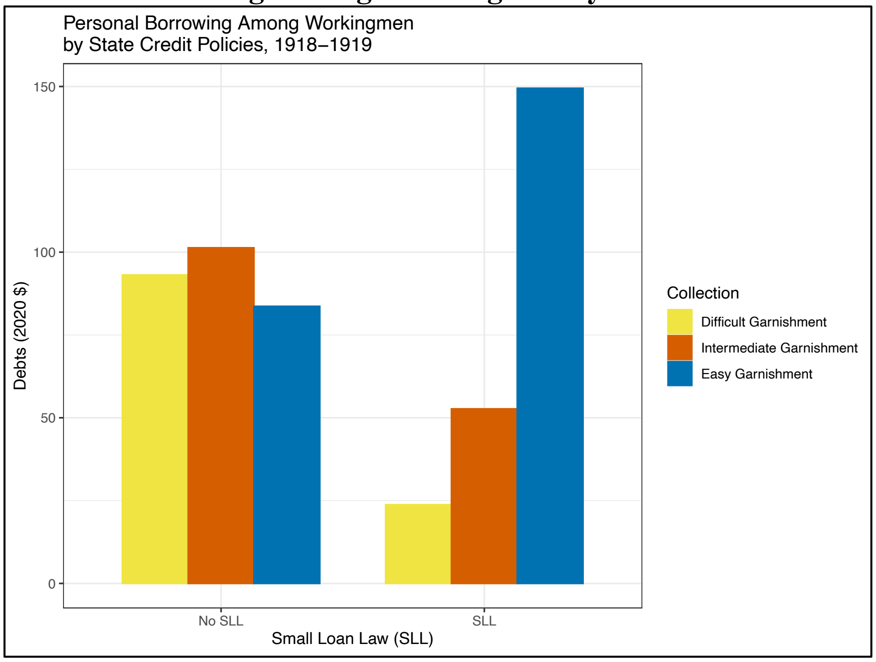
Overall, employing a new dataset of bankruptcy petitioners, these results inform our understanding of the democratization of personal bankruptcy in the United States. Reduced proportions of personal bankruptcies in states with SLLs provide evidence that this market rationalization may have reduced debtors' economic precarity (Nugent 1931). This decrease in the proportion of personal bankruptcies was not general, but varied based on states' wage garnishment laws. In states with SLLs that also facilitated the garnishment of debtors' wages, there were significant increases in the proportion of personal bankruptcies. This finding aligns with past scholarship that bankruptcy rates were highest in states with SLLs and easy wage garnishment (Hansen and Hansen 2020). Yet absent comparison data on debt loads, it is unclear if this pattern is the result of debtors strategically petitioning for bankruptcy protections to escape wage garnishment or if there was simply more credit extended in states that also facilitated lender garnishment of debtors' wages.

State Credit Policies and Personal Borrowing

Turning to credit analyses, I begin by examining how borrowing amounts varied among workingmen living under different state credit policy regimes. Nugent (1933:36) argued that the changing regulatory regime following early SLL enactment in the 1910s led to temporary reductions in loan extension. I am able to confirm this observation, as respondents in states with SLL reported $68 in debt versus $97 in states without SLL.[25] Figure 2.5 (below) makes apparent that in states without SLLs, there is relatively little variation in the amounts of debt held by workingmen, ranging from $79 for states with easy wage garnishment to $97 in states with intermediate wage-garnishment policies. By contrast, there are high levels of variation among states that had enacted a SLL. In particular, in states that had a SLL and made it difficult to garnish wages, the average respondent had $24 in outstanding loans, while in states with SLLs that made it easy to garnish debtors' wages, the average respondent had $147 in outstanding loans. However, this difference may simply be about the creditworthiness of potential debtors and the economic conditions in the different states, including as it relates to SLL enactment (Carruthers et al. 2012). As such, I turn to multivariate analyses.

[25] All amounts are converted to January 2020 $.

Figure 2.5: Personal Borrowing Among Workingmen by State Credit Policies, 1918-1919



I find that net of individual-level and broader economic factors, borrowers in states that enacted SLLs did not have lower levels of loan debt (Table 2.4, Model 1). Furthermore, garnishment laws per se also do not shape the amount of credit extended to workingmen. In terms of individual-level factors, white respondents, homeowners, those with more savings, and those with more children borrowed more. By contrast, being higher income and older is associated with holding less debt. These results suggest that a culture of financial risk-taking remained uncommon among middle-income urban Americans at the end of the First World War. Those with greater financial stability borrowed less. At the same time, creditworthiness, secured either by whiteness or home ownership, shaped credit use.

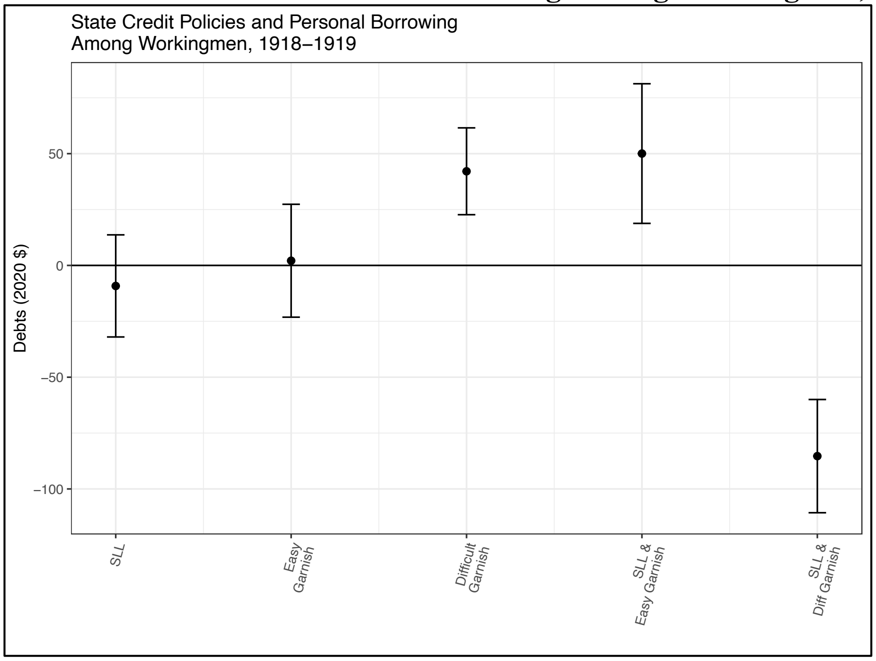
Next, I examine my main interaction between SLLs and garnishment laws (Model 2). I find strong evidence that the relationship between SLLs and amounts of credit use vary based on a state's garnishment law. In states with SLLs and laws that made wage-garnishment easy for lenders, lenders extended $50 more on average to workingmen, as compared to workingmen in states with intermediate garnishment. By contrast, in states with SLLs that did not facilitate lender wage-garnishment, the average workingman reported $86 less in outstanding debts. At the same time, state laws that made it difficult to garnish debtors' wages are related to $42 in increased lending per capita. The individual covariates from the first model are unchanged, though in terms of economic covariates, more banks per capita becomes predictive of increased borrowing and business failures no longer have a statistically significant estimate. Finally, I re-estimate the models on the smaller sample of cities that overlap with the bankruptcy sample (Models 3 and 4). While the estimates are much noisier, the main interaction continues to show a major decrease in borrowing in states with SLL that also made it difficult to garnish wages and an increase in borrowing in states with SLL in which wage-garnishment was easy for lenders.

Table 2.4: Credit Policies and Personal Borrowing (2020 $)

	Model 1	**Model 2**	**Model 3**	**Model 4**
SLL	15.93	-9.19	-14.35	75.92
	(14.92)	(11.65)	(80.28)	(47.37)
Difficult Garnish	26.42	42.11***	32.68	135.11**
	(15.07)	(9.94)	(54.25)	(42.06)
Easy Garnish	18.03	2.10	104.72	1.25
	(13.99)	(12.90)	(80.25)	(42.26)
SLL x Difficult Garnish		-85.31***		-198.14***
		(12.93)		(40.54)
SLL x Easy Garnish		50.04**		149.90***
		(15.85)		(38.24)
White	48.02***	48.95***	-17.62	8.84
	(12.90)	(13.81)	(17.70)	(21.04)
# Children	13.83***	13.86***	15.79*	17.20*
	(2.95)	(3.00)	(7.54)	(7.25)
Husband Age	-2.02***	-2.05***	-2.22	-2.33
	(0.62)	(0.58)	(1.65)	(1.67)
Annual Income	-0.03*	-0.05*	0.00	-0.00
	(0.02)	(0.02)	(0.31)	(0.03)
Homeowner	84.84***	84.22***	115.23*	117.37*
	(20.36)	(20.67)	(53.19)	(53.47)
Average Manufacturing	0.02	0.02	-0.06	-0.09*
Wage	(0.02)	(0.02)	(0.11)	(0.05)
Banks per Capita	5.75	7.49***	8.30	45.44**
	(3.57)	(2.44)	(33.72)	(15.01)
Business Closures per	27.81**	14.14	21.20	-23.70*
Capita	(10.41)	(7.41)	(39.24)	(9.91)
Observations	11,319	11,319	2,633	2,633
Number of Groups	29	29	14	14

Note: Robust standard errors are in parentheses. * p<0.05, ** p<0.01, *** p<0.001 (Two-tailed)

Figure 2.6: Credit Policies and Personal Borrowing Among Workingmen, 1918-1919



These results provide evidence that rather than simply expanding credit markets, SLLs changed the power dynamics between creditors and debtors. In the absence of SLLs, where creditors could illegally charge much higher interest rates, lenders extended credit despite laws that made it difficult to garnish debtors' wages. Yet when faced with effective reductions in interest rates, they became much more skeptical of lending when they could not recoup losses through the garnishment process. Conversely, it is also possible that this shift was driven by debtors, who were able to reduce their debt loads as SLLs decreased interest costs, except when aggressive wage garnishment proceedings (and the threat of dismissal from employment) spurred additional cash borrowing.[26] Credit extension by registered lenders grew over time in states with SLLs (Robinson and Nugent 1935:169). Nevertheless, these analyses provide evidence that – as the RSF contended – SLLs did not simply lead to increases in credit use, but also shifted the relative costs and risks in credit markets. At the same time, it produced credit markets with

[26] Absent more direct measures of "economic precarity", I cannot adjudicate between these different arguments.

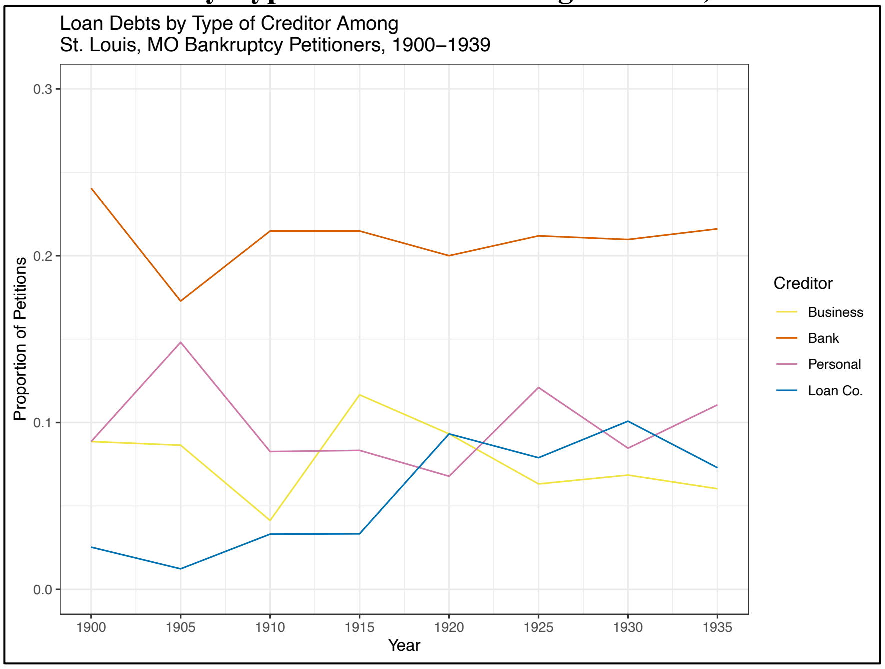
features unintended by the RSF. As SLLs shifted the relative risks of debt away from debtors, creditors became attuned to collateralizing those risks through the garnishment process. These results provide evidence that high bankruptcy rates in states with SLLs and easy garnishment are not the result of strategic decisions by debtors (Fay et al. 2002) but rather due to the expansion of credit markets in states where lenders could collateralize their risks (Gropp et al. 1997).

Small Loan Debts Among St. Louis, Missouri Bankruptcy Petitioners, 1900-1939

It is possible that these results are a product of the economic flux at the end of the First World War. As the bankruptcy sample does not have information on specific debts, it is also unclear how the types of debts held by bankruptcy petitioners changed following legal reforms.

Turning to a sample of 1,291 St. Louis bankruptcy petitioners from 1900 to 1939, I examine the proportion of petitions that reported unsecured loan debt extended by banks, small loan companies, businesses, or individuals. See Figure 2.7 below. Descriptive analyses underline how individuals and businesses in the early twentieth century drew upon different market and nonmarket loan sources. Within this sample, these lenders remained stable over time. The major exception is credit from small loan companies, which more than doubled in proportion of petitions in the 1920s. However, this increase occurred prior to the enactment of Missouri's SLL in 1927 (Robinson and Nugent 1936:136). Though research suggests that individuals limited their consumption spending in the early years of the Great Depression (Olney 1999), this does not explain why the percentage of St. Louis bankruptcy petitioners who reported small loan debts declined in the second half of the 1930s. It accords with Nugent's (1931) contention that "loan sharks", not regulated small loan companies, were the cause of bankruptcies.

Figure 2.7: Loan Debts by Type of Creditors among St. Louis, MO Bankruptcy Petitioners



These results show how state market rationalization and debt collection policies shaped patterns of credit use and bankruptcy at the early expansion of personal credit markets. Credit and bankruptcy analyses collectively suggest that increased credit in states with SLLs and easy wage-garnishment laws put more wage-earners in a position in which their debt loads made petitioning for bankruptcy a reasonable decision. Yet decreases in the proportion of personal bankruptcy filers absent declines in credit extension in states with SLLs might also suggest that SLLs reduced the relative risks and cost of debt for individuals. While debt increases individuals' risks of insolvency and bankruptcy, the extension of credit and the risks of holding debt vary based on the terms of the creditor-debtor relationship.

Discussion and Conclusion:

This study sheds light into the democratization of personal credit and bankruptcy in the United States (Krippner 2017). In the early twentieth century, alongside the rise of an urban economy dominated by major corporations (Cohen 1990), the federal government (Quinn 2019) and businesses (Olney 1990) worked to expand credit access to individuals. Nevertheless, a central part of this shift resulted from state-level efforts to rationalize personal loan markets and expunge "loan sharks" through SLLs (Anderson 2008; Fleming 2018). In turn, the emergence of "wage-earner bankruptcies" became a topic of social concern (Cover 1938; Douglas 1933). Through examining state-level variation in credit use and personal bankruptcies at the cusp of 1920s expansion of personal credit markets (Hyman 2011), I build on historical scholarship on bankruptcy. In particular, using a new dataset of bankruptcy petitioners, I confirm Hansen and Hansen's (2012; 2020) finding by showing that the enactment of SLLs interacted with wage-garnishment laws to shape the likelihood of being a personal bankruptcy filer. They argue that SLLs' credit market expansions led debtors to petition for bankruptcy protections when state laws, such as those facilitating wage garnishment, decreased the relative cost of petitioning for debt relief through bankruptcy (Fay et al. 2002).

I extend this finding through comparative analyses on credit extension that show that SLLs per se did not result in credit market expansions. Rather, in rationalizing the relationship between creditors and debtors, they reduced debtors' relative risks (Martin 2022; Nugent 1931). This is manifest in the fact that SLL enactment is associated with a smaller proportion of personal bankruptcy petitioners. Nevertheless, in alignment with insights on creditor mitigation of their risks (Gropp et al. 1997), I show that early increases in credit use only occurred in states with SLLs that helped creditors reduce their relative risks by ensuring that they could garnish debtors' wages. This suggests that high bankruptcy rates in states with SLLs and easy wage-garnishment was driven by the amount of credit extended, not by debtors' increased likelihood of petitioning for bankruptcy protections. Analyses of St. Louis bankruptcies, which shows that petitioners were no more likely to report small loan debts after Missouri's enactment of its SLL, provide additional evidence to support this perspective.

This chapter integrates scholarship on credit extension and bankruptcy, with implications for research on the institutionalization of personal credit within the American political economy. Credit market expansions may lead a strategic (Fay et al. 2002; Li et al. 2011) or unlucky subset (Maroto 2015; Sullivan et al. 2000) of debtors to petition for bankruptcy protections. Nevertheless, I show that in the period at the early expansion of American personal credit markets, credit market rationalizations per se did not lead individuals to take on additional debt. Additionally, I integrate political economic (Benmelech and Moskowitz 2010; Gross et al. 2019) and sociological research on credit (Martin 2022; Prasad 2012) to show how creditors and debtors negotiate in light of state efforts to mediate their risks, with implications for economic precarity (as manifest in bankruptcy) and the size of personal credit markets. These findings shed light on how social reformers and legislators, in attempting to reduce debtors' relative risks in credit markets, inadvertently encouraged creditors to employ debtors' wages as collateral. As such, SLLs catalyzed the transformation of wages into capital (Bittmann 2021), as well as the broader shift towards credit as a core feature of American economic citizenship (Krippner 2017).

These results provide a number of different angles for future research. In particular, longitudinal analyses would help us confirm the role state credit policies play in shaping patterns of credit use and bankruptcy. The presented analyses utilize cross-sectional data to show the role of state credit policies, including SLLs and garnishment laws, in patterning increased indebtedness and proportions of personal bankruptcies by state. Yet it cannot causally disentangle how changes in state credit policies affect individuals' economic positions over time. Additional research should supplement literature that examines the role of bankruptcy law and exemptions in shaping the decision to petition for bankruptcy protections (Domowitz and Sartain 1999; Fay et al. 2002), as well as lenders' decisions to extend credit (Gropp et al. 1997; Gross et al. 2019). Nevertheless, political economic research has not examined how laws outside of the bankruptcy system that mediate the creditor-debtor relationship shape patterns of credit extension. More data would also allow us to examine how state creditor-debtor policies interact with the risks individuals, especially from different social classes or racial groups (Houle 2014), face over the life course (Maroto 2015; McCloud and Dwyer 2011). Though the federal government heavily shapes the cost and terms of personal credit in contemporary America, scholars have underlined how state wage and household exemption policies influence patterns of economic precarity across states (Martin 2022). Extending this research to personal debt loads and bankruptcy is important given substantial increases in long-term insolvency (Hansen and Hansen 2020; Li et al. 2011)

Together, these analyses show the importance of a risk perspective in understanding economic precarity in the contemporary United States (Hacker 2007). In an era in which credit is central to determining individuals' life chances (Dwyer 2018), it is essential to diffuse the risks of debt borne by individuals from marginalized communities. Importantly, the effective abolition of national interest rate caps has driven the dramatic expansion of consumer credit markets, in the form of both mainstream financial institutions (Hyman 2011), as well as by payday lenders – modern-day "loan sharks" (Badaran 2015:109-137; Fleming 2018:246-53). In calls for debt relief (Graeber 2011), this research encourages us to consider how to rebalance the relative risks between creditors and debtors. This may include efforts to widen debt relief through a reformed federal bankruptcy law (Gill 2022), or through student debt relief (Eaton et al. 2021). Yet this research also highlights how reducing (or subsidizing) interest charges (Dobbie and Song 2020) and limiting states' facilitation of debt collection can help people escape heavy debt burdens.

Chapter 3: The "Moral Accounting" of Debts: "Productivity," "Deservingness," and the Creation of Chapter XIII Bankruptcy

Credit is central to economic security and wealth accumulation in the United States. Despite its status as an easy intervention for policymakers to promote economic development (Quinn 2019), determining who is "creditworthy" remains a locus of contestation in American political economy. Similar to studies of "deservingness" in welfare (Fox 2012; Skocpol 1992), students of credit markets have illuminated how race and gender intertwine with "creditworthiness" (Krippner 2017; Robinson 2020). While scholarship generally focuses on credit provisioning, few studies examine bankruptcy as a lens into the intersection between American credit and welfare policy (Mettler 2011). This is surprising because bankruptcy, through negotiating between the property rights of creditors and debtors, always encapsulates distributional tensions inherent in political economy.

The 1938 Bankruptcy Act exemplifies how bankruptcy is a locus of concerns over who should bear the risks of debt: creditors or debtors. It solidified the extant system that allowed wage-earners and farmers to receive an immediate, voluntary discharge of their debts in the form of Chapter VII bankruptcy. However, Representative Walter Chandler (D-TN) also successfully advocated for a system where insolvents could voluntarily pay their creditors under court administration for 3-years before receiving a discharge in the form of Chapter XIII bankruptcy. Past scholars contend that "pro-debtor" ideology and legal interest groups facilitated the institutionalization of bankruptcy (Hansen and Hansen 2020; Skeel 2001). Yet this research does not explain the creation of a debtor payment system (Chapter XIII) on a voluntary basis. In particular, while creditor and legal interest groups advocated for Chapter XIII's creation, they did not advocate against its voluntary nature. Furthermore, consumer and labor organizations did not oppose the creation of Chapter XIII, despite the reduction of debt relief under the payment plans. The 1938 Bankruptcy Act was ultimately enacted on a unanimous basis before it was signed into law by President Franklin D. Roosevelt. If interest group explanations are insufficient to explain the creation of a key piece of American federal credit policy (Clemens 1997), this suggests that we should examine how cultural discourses shaped legislators' conceptions of bankruptcy. How did policymakers conceive of bankruptcy, and how did these schemas relate to the enactment of the 1938 Bankruptcy Act? Who was the envisioned Chapter XIII bankruptcy petitioner, and why would he/she voluntarily choose to pay debts under court supervision?

Socio-legal scholars have theorized bankruptcy as part of the privatized American welfare state (Sullivan et al. 2000). As such, scholarship on both credit and welfare can provide insight into the development of American bankruptcy law. Economic sociologists' analyses of "creditworthiness" (Beckert 2016) helps to explain that bankruptcy, through defining the creditor-debtor relationship, is an institutional basis of the "generalized trust" necessary for market credit (Guseva and Ron-Tas 2001). This perspective would suggest that payment plans are necessary for bankrupts who intend to restore their "creditworthiness." However, it does not explain why these payment plans would be voluntary. Law and economics scholars contend that, contrary to the voluntary Chapter XIII bankruptcy, usage of debt payment plans should be based on mandatory rules, rather than empowering debtors to avoid paying their debts (Fay et al. 2002). By contrast, political sociologists' theories of welfare "deservingness" (Steensland 2006) shed light on how social categories influence who is "worthy" of state support. Under this perspective, it is surprising that New Deal lawmakers would create a debt payment system that reduces average levels of debt relief. Finally, while scholars have uncovered how race and gender shape the constitution of systems of credit (Robinson 2020) and welfare (Fox 2012) in the United

States, this research has not considered how categorical inequities in credit markets influenced American bankruptcy law. In sum, the literature has not explained why lawmakers created personal debtor payment plans while retaining the voluntary option for an immediate discharge.

This article incorporates scholarship on “racialization projects” in credit to probe the cultural categories that determine who, at the point of insolvency, was seen as “deserving” or “productive” enough to be reintegrated into American credit markets, and the costs that he/she should pay to regain full “economic citizenship” (Krippner 2017). Through a computational abductive approach (Karell and Freedman 2019) that iterates between qualitative and computational analyses of Congressional speeches and hearings, media, and trade journals, I show that Great Depression Era lawmakers aimed to promote a rejuvenation of the American economy (Hyman 2011), while aiding those suffering from external catastrophes (Dauber 2013). Rather than attacking “spendthrift” debtors or “oppressive” creditors, policymakers primarily worked to delineate who was “deserving” of bankruptcy protections, similar to in welfare, while working to generate demand through expanding market credit to “productive” individuals. These dimensions constitute a “moral accounting” of how different people could be reintegrated into the economy. Voluntary wage-earner payment plans were created alongside the codification of immediate debt discharges based on the conceptualization of American personal insolvents as overwhelmingly honorable white men. While “deserving” and “productive” insolvents would rationally pay their debts through Chapter XIII, “deserving” yet “unproductive” insolvents could apply for an immediate debt discharge.

These findings have implications for our understanding of how moral and economic judgments of debtors shaped the development of America’s liberal welfare state. First, this article bridges scholarship on credit and welfare (Wiedemann 2021) to examine how cultural categories shape the legal underpinnings of credit markets. Alongside the rise of the borrower whose loans were backed by future wages (Bittmann 2021), "creditworthiness" became viewed in terms of "risk" in labor markets. Nevertheless, lawmakers also drew upon discourses of "deservingness". These two dimensions interact to shape adjudications of whether an individual insolvent could be rationally rehabilitated or needed to be punished in order to regain creditors' trust, as well as whether he/she should receive an immediate discharge or pay debts over time. This argument suggests that generalized trust remains a moral project backed by the symbolic authority of the state to determine for whom to wash away the stains of broken trust and how individuals should be rehabilitated into "economic citizenship" (Polillo 2011). In contending that the reintegration of "productive" actors into expanding credit markets required debt payments over time, this bolstered the linkage between market position and full inclusion in the nation.

Additionally, these analyses show how racialization projects in credit markets interacted with conceptions of the prototypical bankrupt to lead to the creation of voluntary debt payment systems in personal bankruptcy (Wherry and Chakrabarti 2022). While white farmers and manufacturing workers were viewed as central to the nation (Gourevitch 2015) and thus "deserving" of bankruptcy protections, the former's "unproductivity" necessitated an immediate discharge, while the latter's "productivity" meant that it was honorable to pay debts over time. Yet most women workers, and Black, Mexican, and Chinese workers, were seen as ambiguously "undeserving" and "unproductive" (Fox 2012). In light of scholarship that shows how women and people of color were excluded from early twentieth century credit markets (Olney 1998), these findings illustrate how the inability of People of Color to gain access to credit helped to facilitate the creation of a lenient Chapter XIII bankruptcy for "deserving" white men. The exclusion of women and racial minorities from credit markets ultimately helped to facilitate the construction of a key element of American creditor-debtor law.

Cultural Categories and the Production of Bankruptcy Outcomes

At the Intersection of Credit Markets and the Welfare State

States are central to determining the parameters of "economic citizenship" (Marshall 1950). Directly, governments provide for citizens' economic needs through welfare. However, the structure of the welfare state shapes for whom and the extent to which social provision loosens the relationship between market position and social inclusion (Esping-Anderson 1990:21). States have also promoted the expansion of credit markets through developing property rights that facilitate the rational calculation of risk (Carruthers 2022:50-80). In the American case, personal credit markets were constructed to promote economic growth, while helping individuals provide for their own needs (Quinn 2019:11-18). These political decisions have led the citizen-borrower, rather than the citizen-worker, to become the central figure of modern American economic citizenship (Krippner 2017:3). Yet this research has been less attuned to how the cultural construction of markets shapes America's liberal welfare state. By turning to "racialization accounts" of credit markets (Wherry and Chakrabarti 2022:135-7), we can understand the necessity of a voluntary debt payment system for the prototypical "deserving" and "productive" insolvent.

Students of welfare have probed how policymakers elaborate discourses of "deservingness" to delineate who is morally justified to receive benefits apart from work (Steensland 2006). For instance, Skocpol (1992) uncovers early successes and ultimate failures to provide for many older American men through Civil War Veteran pensions and efforts to build a maternalist welfare state to provide for dependent mothers and their children. During the Great Depression, Fox (2012:95-123, 188-213) highlights how Southern and Eastern European immigrants received effective government relief. By contrast, Black Americans were largely believed to not require relief, while Mexicans were viewed as dependent on the government dole. As such, many welfare applicants of Mexican ancestry were deported, regardless of their U.S. citizenship status. The greatest relief efforts went to men, as part of an American welfare state centered on provisioning for (white) men whose benefits are justified through work. Welfare in the United States remains morally intertwined with labor market participation, with much stingier and punitive programs for dependents and children. Social categories continue to shape who is "deserving" of state support.

Similar to the welfare state, political economic scholarship on credit shows that the "democratization" of credit also has not resulted in equality but rather leads to moral justifications of stratified outcomes (Fourcade and Healy 2017). In contemporary markets, lenders rely on "fictional expectations" of remunerative payment with interest. However, given uncertainty, economic actors rely on institutions, norms, and networks to determine who is "trustworthy" and who's prosperous "economic futures" makes them a good risk (Beckert 2016:6-14). As is apparent in the development of American mortgage markets, the government is central to creating patterns of credit access. From its creation during the New Deal through the 1950s, the Federal Housing Administration (FHA) deemed non-white areas as "high risk," thereby excluding people of color from FHA-insured mortgages. This forced Black Americans to rely on more expensive (and often exploitative) uninsured mortgages, ultimately exacerbating the racial wealth gap (Rothstein 2017:39-58). Social norms also influence credit access. As Robinson's examination of 1970s FHA attempts to subsidize loans to build rental housing for

Black people shows, efforts that aligned with extant standards of "creditworthiness" collapsed under the criticism of "unsound" financial management. This illustrates how the "constitutive whiteness of credit" makes it difficult to expand credit markets to benefit minorities (2020:975).

The cultural bases of stratified outcomes in welfare and credit markets are manifested in bankruptcy. Bankruptcy is a fundamental part of credit policy, through legally rationalizing the creditor-debtor relationship and organizing creditor claims to insolvent debtors' assets. It has also become central to America's liberal welfare state, through allowing individuals a second chance at providing for their needs in markets (Sullivan et al. 2000:260). Yet these frameworks do not explain why New Deal Era legislators overwhelmingly agreed to create a voluntary debt payment system (Chapter XIII). While arguments on welfare "deservingness" would suggest that the voluntary choice in bankruptcy chapter was for the benefit of white men, it does not explain who legislators thought would voluntarily choose a system that, on average, reduces debt relief. Economic sociology research might indicate that policymakers would develop a debtor payment system for the potentially "creditworthy". Yet it also fails to answer why the bankruptcy chapter choice remained voluntary, including for the potentially "uncreditworthy." Similarly, law and economics scholars argue that most personal debtors should be directed to payment plans. If given the choice to receive an immediate discharge, many economically capable debtors will do so, thereby transferring the costs of their debts to creditors and other borrowers (Fay et al. 2002).

Placing bankruptcy in the context of racially inequitable rules and practices in credit markets, we can better understand how bankruptcy is intertwined with categorical inequalities (Wherry and Chakrabarti 2022). Specifically, early twentieth century Black Americans struggled to gain access to credit, which scholars theorize is due to exclusion from mainstream financial institutions (Olney 1998). In turn, only white men were able to obtain enough credit to make bankruptcy protections a necessity. A random sample of 312 bankruptcy petitions in Representative Chandler's hometown of Memphis, Tennessee from 1925 to 1935 reveals that 86% of petitioners were white and 93% were men. In comparison, the 1930 census shows that 40% of Memphis' population was Black. Similarly, a sample of 192 bankruptcy petitions in St. Louis, Missouri from the same time period shows that whereas Black Americans made up 11% of the city's population, all bankruptcy petitioners in the sample were white and 88% were men (Author 2023). As such, most bankruptcy petitioners were seen as "deserving" due to their inclusion within the "constitutive whiteness of credit" (Robinson 2020:1017-9). This provides insight into why personal bankruptcy petitioners could choose whether to voluntarily pay debts to creditors over time under court supervision.

I contend that a "moral accounting" approach that shows how judgments of "deservingness" interact with predictions of "productivity" in bankruptcy is essential to understanding the creation of a voluntary debt payment system alongside the codification of an immediate discharge provision. Though similar to in welfare, "deservingness" in bankruptcy is the judgment of whether the insolvent is perceived to *have failed in markets* due to external catastrophes or his/her own irresponsibility or malfeasance. Does the bankrupt "deserve" debt relief? As most New Deal Era bankruptcy petitioners were white men, they were generally seen as "deserving." Yet this interacts with an estimation of "creditworthiness"[27], which consists of whether the insolvent is a good risk for further lending. To prove that they could be "trusted" again, bankrupt individuals could pay their lenders and regain their "creditworthiness." A "moral accounting" approach incorporates both perceptions of the insolvent's "deservingness" due to past actions, but also on his/her future "creditworthiness." It asks whether the insolvent *should*

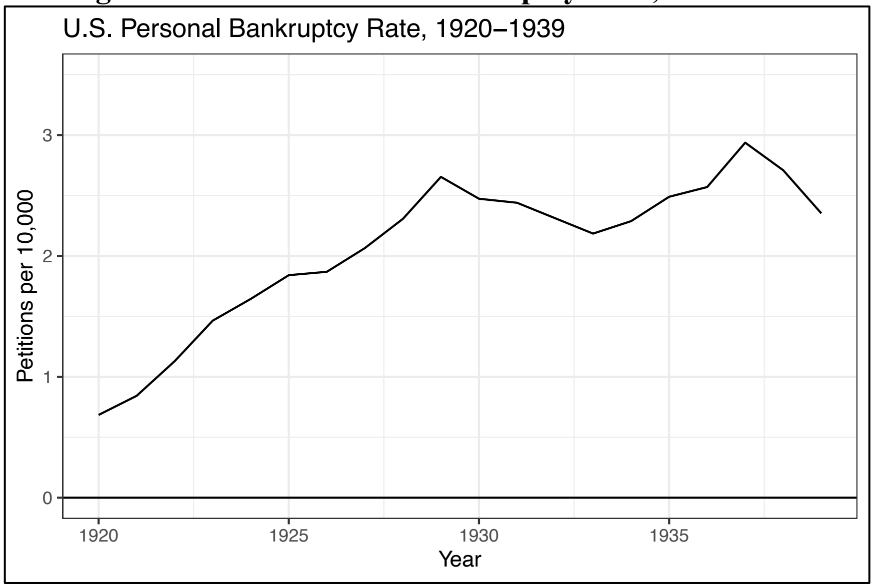
[27] "Creditworthiness" is used to refer to a judgment of an individual, while "productivity" is used to refer to judgments of groups in the broader economy.

have been able to pay creditors in the past, as well as whether he/she *will be able* to pay creditors in the future. This suggests that Chapter XIII bankruptcy was created for “deserving” white men who could be trusted to choose whether they needed to regain their “creditworthiness” in order to resume their lives as full economic citizens.

Bankruptcy Reforms During the Great Depression

Insolvency, or the inability to pay debts, is as old as humanity, and has been managed variously through imprisonment, slavery, or debt jubilees (Graeber 2011). However, bankruptcy is a historically recent phenomenon tied to the rise of the rational bureaucratic state. Nineteenth-century American advocates contended that bankruptcy would spur the market economy by allowing for the rational distribution of the insolvents’ assets to creditors across state lines, while facilitating insolvents’ resumption of economic activity by freeing him/her from creditors’ claims (Balleisen 2001:5-21). Federal bankruptcy laws were enacted in 1800, 1841, and 1867. However, each law was repealed following backlashes centered on claims of an overreaching federal government, maladministration, and a concentration of power by Eastern businesses. Similarly, Populists argued that the Bankruptcy Act of 1898 was a tool for creditors to chase down and oppress debtors (Skeel 2001:23-32). In opposing the 1898 Act, Democrats contended that it would be employed to oppress lower-class rural merchants, workers, and farmers. The law ultimately passed on Republican votes. Yet, as a compromise, wage-earners and farmers could only file for bankruptcy voluntarily and, barring creditor proof of malfeasance, they could disburse non-exempt assets and receive an immediate discharge (Hansen and Hansen 2020:35-7).

Figure 3.1: U.S. Personal Bankruptcy Rate, 1920-1939



Surprisingly, by the 1930s, legislators' support for bankruptcy was nearly universal. During the Progressive Era, state and federal policymakers worked to increase credit market access to farmers (Quinn 2019:48-87) and urban workers (Fleming 2018:12-77). These reforms served as a foundation for New Deal legislators to further develop credit markets through the Federal Housing Administration's creation of loan insurance programs and secondary mortgage markets, as well as encouraging unsecured bank lending towards individuals through Title 1 loan-guarantees (Hyman 2011:78-97). Credit market expansions are reflected in bankruptcy rates, which quadrupled from 0.68 in 1920 to 2.65 per 10,000 in 1929. While personal bankruptcy rates fell to 2.18 per 10,000 amid the peak of the Great Depression in 1933, subsequent expansions in individual credit related to a rebound in bankruptcy rates.

Despite rising bankruptcy rates, New Deal policymakers largely refrained from attacking "oppressive" creditors. Rather, they overwhelmingly conceived of bankruptcy as about "unfortunate" debtors. On a bipartisan basis, they enacted a series of reforms to expand America's bankruptcy system. This included the creation of both wage-earner (Chapter XIII) and business reorganization procedures (Chapter XI), developed in 1933 amendments and formalized in the 1938 Bankruptcy Act. There were also temporary measures, including the Frazier-Lemke Farm Bankruptcy Act of 1934 and the Farm Mortgage Moratorium Act of 1935 that provided debt stays to insolvent farmers. In terms of wage-earner bankruptcy, legislators and judicial reformers argued that wage-earners should be given the opportunity to pay their creditors to avoid the “stigma” of bankruptcy.

Yet past historical scholarship does not comprehensively explain the creation of a voluntary Chapter XIII. In particular, some researchers contend that rising bankruptcy usage by farmers and wage-earners led Democratic opponents of federal bankruptcy to recognize its benefits for their constituents (Hansen and Hansen 2020:37-54). Other scholars note how legal interest groups, such as the National Association of Referees in Bankruptcy, tapped into longstanding “pro-debtor” ideology in the United States to advocate on behalf of bankruptcy (Skeel 2001:98-100). Both accounts align with scholarship that emphasizes how the enactment and implementation of the law “recursively” shapes subsequent reinterpretations and reforms (Halliday and Carruthers 2007). While these studies shed light on the institutionalization of bankruptcy in the early twentieth century, they do not fully explain the creation of voluntary payment plans in bankruptcy (Chapter XIII). In particular, Skeel’s (2001:80-98) focus on legal interest groups would suggest the creation of a system that would empower bankruptcy referees to determine debtors’ choice of bankruptcy chapter. Furthermore, Hansen and Hansen’s (2020:50-4, 75-7) popularization account fails to explain why neither debtor advocates nor labor unions dissented against reforms that reduce debt relief in bankruptcy. This suggests that the creation of a voluntary Chapter XIII bankruptcy should be embedded into its socio-political context to understand the shared schemas that policymakers drew upon in legislative discussions.

Through examining the 1938 Bankruptcy Act in the context of the New Deal's credit and welfare reforms, we can understand how conceptions of "productivity" and "deservingness" shaped bankruptcy law. Perceptions of individual "creditworthiness" were long intertwined with "deservingness" in personal loan markets. For instance, social workers advocated expanding small loan markets to help the working poor survive the vicissitudes of urban life (Fleming 2018:12-77). However, alongside credit expansions to the salaried middle class, bankers increasingly conceived of "creditworthiness" in terms of risk, rather than based on the applicant's morality and need (Hyman 2011:96). By contrast, though the New Deal rationalized welfare, it maintained the distinction between the "undeserving" on public assistance, often due to their own failings, versus the "deserving," who participated in social insurance to survive life's risks (Katz 1986:242-52). Transformations in America's credit and welfare policies across the Great Depression resulted in divergences in perceptions of "productivity" and "deservingness." While the former increasingly focused on debtors' future positions in labor markets (Bittmann 2021), the latter remained oriented towards the recipients' social identities and causes of their failure.

Table 3.1: "Productivity" and "Deservingness" in Bankruptcy Discourse

		Productivity	
		Unproductive	*Productive*
Bankruptcy Deservingness	*Deserving*	Debt Relief Chapter VII (1938-2005)	Rational Payment Chapter XIII (1938-2005)
	Undeserving	Exclusion from Bankruptcy Refusal of discharge Chapter VII (post-2005)	Punitive Payment Chapter XIII (post-2005)

Media elites and policymakers drew upon conceptions of "productivity" and "deservingness" as they engaged in "moral accountings" of bankruptcies and the monetary and temporal costs insolvent people needed to pay in order to obtain debt relief. There was discussion of “unproductive and undeserving” insolvents, such as gamblers, who destroyed the generalized trust necessary for credit markets through their fraudulent actions and needed to be excluded from bankruptcy. There was also skepticism of “productive and undeserving” insolvents, such as entertainers and traders. Lawmakers also drew upon racial and gender schemas to conceptualize types of bankrupts. Women, Black, Mexican, and Chinese workers are seen as ambiguously “(un)deserving” and “(un)productive”. Yet given inequities in credit markets that limited credit primarily to white men, New Deal Era policymakers largely trusted insolvents to choose which bankruptcy chapter to apply for. See Table 3.1[28]. The 1938 Bankruptcy Act created a voluntary payment system that allowed “honorable” and “productive” insolvents, such as manufacturing workers and scientists, to pay their creditors out of future income under the umbrella of a government collection stay (Chapter XIII), while allowing “unproductive” and “deserving” insolvents, such as farmers and soldiers, an immediate renewal of their economic citizenship (Chapter VII). For the former, payment of debts would help them regain credit access, while for the latter, an immediate discharge would help them continue with their economic lives absent debt collection efforts or renewed access to credit.

Other historical accounts can help us understand additional factors that influenced the parameters of 1930s bankruptcy reforms. Though Great Depression Era legislative efforts were not subject to sustained public attention or mobilization, political power affected the parameters of the law. Specifically, the federal structure of the United States’ political system gave disproportionate weight to farmers (Gerstle 2015:185-215). Furthermore, farmers’ claims based on collateral heightened the moral weight of their demand for relief (Krippner 2017). At the

[28] I contend that the post-2005 inclusion of means-testing and financial counseling in American personal bankruptcy means that Chapter 13 is a type of Punitive Payment. In turn, high levels of long-term insolvency suggest exclusion from needed bankruptcy protections (Sullivan et al. 2006).

same time, the Democratic coalition incorporated labor interests (Eidlin 2016). The New Deal coalition likely facilitated the acceptance of personal bankruptcy and lenient terms for insolvent farmers. These studies highlight how America's political structures and coalitions also shaped the bankruptcy reforms.

Research Design, Methods, Data

In order to uncover the cultural dimensions of bankruptcy, I employed primary source corpora from 1929 to 1939, which was a key period of debates over bankruptcy that led to the enactment of the 1938 Bankruptcy Act. These data were analyzed through qualitative and quantitative text analysis. Data for computational analyses includes all of the floor speeches (n=1,248,921) in the U.S. House and Senate from the U.S. Congressional Record (Gentzkow et al. 2018). These data are combined with a range of data sources for qualitative analyses, including newspapers (*New York Times*, *Atlanta Constitution*), magazines (*The Atlantic Monthly, Harper's Monthly, Saturday Evening Post*) (n=191), interest group publications (*Credit World*, *Journal of the National Association of Referees in Bankruptcy*) (n=77), and congressional floor speeches and hearings collected via HeinOnline (n=195). Qualitative documents were selected through a search of "bankrupt(cy)" and a preliminary reading to determine if bankruptcy was the core topic discussed in the text.

I develop my understanding of the boundaries of bankruptcy through a computational abductive approach (Karell and Freedman 2019; Tavory and Timmermans 2012) that iterates between qualitative and computational analyses. I begin by analyzing the qualitative sample to understand the topical concerns, as well as the symbolic associations of bankruptcy. This approach helped me uncover the surprising fact that bankruptcies were discussed not only in terms of economic "productivity", but also in terms of insolvent debtors' moral "deservingness." I then located the prototypical "(un)deserving" and "(un)productive" insolvent person in bankruptcy discussions (Hacking 1995:21-38). Next, I turn to word embedding models to confirm whether the cultural schemas of "productivity" and "deservingness" independently structure legislators' views of bankruptcies. Word embedding models have been successfully employed to probe the cultural schemas that underlie discursive framings (Boutyline and Soter 2021; Kozlowski et al. 2019; Wood et al. 2018). I further confirm that the "deservingness" dimension structures perceptions of bankruptcies in a manner analogous to welfare recipients. These complementary methods sequentially reveal the framings that structured discussions of bankruptcy leading to the enactment of the 1938 Bankruptcy Act and then confirms how they were constructed from schemas.[29] See the Appendix for more on the data and analytic strategy.

Findings:

Walter Chandler, Valentine Nesbit, and the Creation of Wage-Earner Payment Plans

In contrast to the conflicts that surrounded the enactment of the 1898 Bankruptcy Act, the development of wage-earner payment plans alongside the codification of immediate wage-earner discharges was a relatively cordial process. Despite historically high bankruptcy rates across the 1930s (Hansen and Hansen 2020; Figure 3.1), policymakers generally did not impugn creditors or insolvents' actions. Across discussions of wage-earner workout plans in the failed 1932 Hastings-Michener Bill, in the 1933 Bankruptcy Amendments, followed by their unanimous enactment in the 1938 Bankruptcy Act, policymakers engaged in moral accounting[30] as they

[29] These methods capture "how" media elites and policymakers justify their conceptions of bankruptcy rather than "why" they articulate particular viewpoints.
[30] Though I drop quotation marks around deservingness, productivity, creditworthiness, and moral accounting when presenting findings, they remain analytical terms.

elaborated who needed a second chance in credit markets and at what cost. Ultimately, Representative Walter Chandler (D-TN) constructed the provision with an emphasis on wage-earner deservingness. This justified a voluntary choice in which insolvents, based on their self-assessed future labor market position, could either honorably pay their debts over time to regain their "creditworthiness" or receive an immediate discharge and renewal of their economic citizenship.

I find that legislators conceived of bankruptcy as largely about debtors who failed apart from creditor oppression. In turn, they worked to distinguish between "honest" and "dishonest" insolvents. Excluding "dishonest" insolvent people from bankruptcy was central to promoting the generalized trust necessary for credit in a market economy. President Herbert Hoover argued, "A sound bankruptcy system should operate first to relieve honest but unfortunate debtors of an overwhelming burden of debt; second, to effect a prompt and economical liquidation and distribution of insolvent estates; and third to discourage fraud and needless waste of assets by withholding relief from debtors in proper cases" (1932:4921). Through excluding frauds and dishonest insolvents from debt relief, lawmakers aimed to foster a trust-based credit system. While the Hastings-Michener bill proposed creating a new administrative system to prevent fraud, the 1938 Bankruptcy Act ultimately retained the extant judicial system but expanded bankruptcy referees' jurisdiction to prevent discharges and increased debtor reporting requirements. Limiting debt relief only to honest insolvents was central to ensuring market trust.

While all agreed to the exclusion of the minority of dishonest insolvents from bankruptcy, legislative advocates in favor of wage-earner payment plans emphasized its ability to rehabilitate wage-earners by encouraging future productive market relations. Senator Daniel O. Hastings (R-DE), sponsor of the Hastings-Michener bankruptcy bill, argued if the "creditor agrees to make such adjustments with his debtor as will inspire the debtor to new energy and new life, he has not only done a magnanimous thing for the debtor, but from a purely selfish point of view, he has increased the value of his own claim" (1933:4877). Wage-earner workouts served to both help creditors realize their anticipated returns while encouraging insolvent people to restore their creditworthiness.

Yet legislators also elaborated moral accounts of insolvents' economic failures to understand how best they could reenter credit markets. This resulted in tensions over whether state oversight of the payment process was a means of helping or disciplining deserving insolvents. For instance, Representative Malcolm Baldridge (R-NE) suggested that by paying his debts over time, the insolvent "has not the stigma of bankruptcy" (1932a:565). Similarly, Lloyd Garrison, Special Assistant to the Attorney General, positively emphasized that under the Hastings-Michener bill "the debtor is termed a debtor and not a bankrupt." (1932a:37). By contrast, opponents of wage-earner payment plans argued that deserving insolvent people would be disciplined by holding them hostage in time, putting their economic citizenship on probation. For instance, Jacob M. Lashly, chair of the Bankruptcy Committee of the American Bar Association, contended that absent an immediate discharge, the bankruptcy system would keep the insolvent "under suspension for two years, subject to the discretion of the referee, and perhaps spied upon and investigated into by interested creditors" (1932a: 503). In sum, advocates of wage-earner workouts emphasized the role of payment plans in saving insolvent debtors from the "stigma" of bankruptcy, while opponents argued that these plans turned the court into a collection agency for creditors.

These debates resulted in the 1933 Bankruptcy Amendments, which were enacted on a bipartisan basis at the height of the Great Depression. These amendments laid the groundwork for wage-earner payment plans. It created Section 74, which allowed debtors to voluntarily negotiate workouts with creditors. This provision did not authorize courts to manage debtors' payments or to grant discharges. Nevertheless, bankruptcy referee Valentine Nesbit of the Northern District of Alabama at Birmingham, with the support of the local legal establishment, stretched the statute to create a court-run debt payment system. Between 1933 and 1938, 3,421 Birmingham debtors petitioned for Section 74 (Dixon and Epstein 2002:746-55). In turn, Representative Walter Chandler, who in 1935 was appointed the chair of the Subcommittee on Bankruptcy and Reorganization in the House of Representatives, revived efforts to further amend the bankruptcy code. This involved collaborating with the National Bankruptcy Conference, an organization of bankruptcy referees, judges, and scholars, on the corporate reorganization provisions (Skeel 2001:93-8). However, he relied heavily on the Birmingham experiment to craft a voluntary wage-earner payment system.

In legislative hearings over the wage-earner provisions in the bill, many debates echoed earlier discussions over ensuring market trust and aiding insolvent debtors. In introducing the bill to the House subcommittee on bankruptcy, Representative Chandler contended that good credit practices "not merely increase the supply of credit that is seeking outlet, they very much increase the confidence of creditors and their disposition to grant credit upon reasonable terms" (1937a:14). Yet he and other proponents also elaborated moral arguments about the deservingness of wage-earners. He suggested that Chapter XIII is for "wage earners who do not want to go through bankruptcy, but would like to have time to work out their obligations under the protection of a court" (1938a:5-6). More pithily, Valentine Nesbit emphasized in his testimony: "I do not deal with the recoupment of money, but rather with the rehabilitation of those of the 95 percent who have become insolvent in financial difficulties" (1938a:65). By contrast, bankruptcy referee Charles T. Adams mused, “The idea is that the man’s future wages are made over to the court. It is like an assignment of wages to creditors.” And if he subsequently refuses to pay out, “he becomes a wage slave” (1938a:73). Skeptics of wage-earner payment plans suggested that rather than promoting renewed creditworthiness, Chapter XIII would temporally discipline insolvents. Rather bankruptcy should aid victims of economic catastrophes and help them quickly regain their economic citizenship.

Representative Chandler shepherded wage-earner workout plans into the 1938 Bankruptcy Act with unanimous legislative support while emphasizing the deservingness of wage-earners and their ability to voluntarily choose the bankruptcy chapter that best suited their situation. Legislative hearings focused heavily on the corporate reorganization portion of the bill, not Chapter XIII. Creditor groups took interest in the Birmingham experiment, were consulted in the creation of Chapter XIII’s payment plans, and expressed support for them (1936:24-5). Yet they did not argue against its voluntary nature. Indeed, an editorial in *Credit World*, the trade journal for the National Association of Credit Men, elaborated both pecuniary and moral arguments to contend that Chapter XIII “should salvage many millions of dollars for retail merchants and will be of great benefit to the temporarily embarrassed consumer debtors, the great majority of whom undoubtedly wish to pay their debts” (1938:30). While the American Federation of Labor advocated on behalf of corporate reorganization provisions that mandated labor consultation (1938a:109-11), labor[31] and philanthropic groups[32] did not contest the creation of the wage-earner payment system. In the final law, wage-earners who chose to file through

[31] The American Federation of Labor and the United Mine Workers of America endorsed the mandatory wage-earner payment system in the 1932 Hastings-Michener Bill (1932a:1027-30).
[32] Rolf Nugent, Director of Remedial Loans at the Russell Sage Foundation, noted in a letter to Professor William O. Douglas that he supported state (not private-sector) administration of wage-earner debt amortization (1931). He subsequently advocated on behalf of Michigan’s Small Claims Court wage-earner amortization program (1935).

Chapter XIII would complete a 3-year payment schedule created under the supervision of the court, with the rest of their debts forgiven at the end of the payment period.

Cultural Categories of "Deservingness" and "Productivity" in Bankruptcy Discourse

The enactment of Chapter XIII bankruptcy makes apparent that lawmakers wrestled with both how to delineate the trustworthy from the untrustworthy and whether having insolvents pay debts over time to their creditors rehabilitated or punished them. However, through examining broader bankruptcy discussions, I find that bankruptcy also existed as a discursive locus for diagnosing both individual and social ailments. Across media and legislative discourse during the Great Depression, "bankruptcy" often referred to a position of general moral and economic distress, and social actors engaged in moral accounting of the personal or structural factors that led to economic failures. Social actors also sought to locate who was the "prototypical" deserving versus undeserving insolvent, as well as the prototypical productive versus unproductive insolvent. Following qualitative findings that uncover broad prototypes, I turn to word embeddings to confirm that bankruptcy schemas are classed, racialized, and gendered. These results suggest that categorizing the trustworthy vs. untrustworthy are broadly tied to the boundaries of deservingness of bankruptcy protections, while debtor payment plans are linked to determining who can resume as a productive economic actor who will help facilitate the nation's economic recovery.

Discussions are dominated by moral accounting for farmers and wage-earners' bankruptcies. For many, the prototypical deserving insolvent is the small farmer impoverished by the economic collapse or the wounded veteran unable to find employment. Representative John Ridley (D-TN) suggested that farmers, buffeted by market and environmental catastrophes "have been overwhelmed by conditions for which they are not responsible, and they have exhausted their resources," and so their insolvency was not due to any unwillingness to pay their creditors as honest Americans (1936:7118). Similarly, Representative John Nelson (R-ME) emphasized the importance of helping America's "penniless veterans" (1932:13035). By contrast, the moral accounting of wage-earner bankruptcies remained unsettled. Jacob M. Lashly emphasized wage-earner deservingness, arguing that they are "weak and beaten people who have run upon misfortune and have stuck the rocks, and who are more pitiful citizens than they are public enemies" (1932a: 505). These accounts often diagnosed capitalism or capitalists as the cause of suffering, not the debtor. Senator Elmer Benson (Farm-Labor-MN) described what he perceived as the outcome of "uncontrolled capitalism" where there are "Babylonian palaces in Newport and its bread lines in every city, its bank bulging with money, and thousands of small businessmen going bankrupt, its farmers poor because they are producing food which the hungry city laborer cannot afford to buy" (1936: 9136). In sum, farmers and wage-earners should have their unjust debts relieved through bankruptcy.

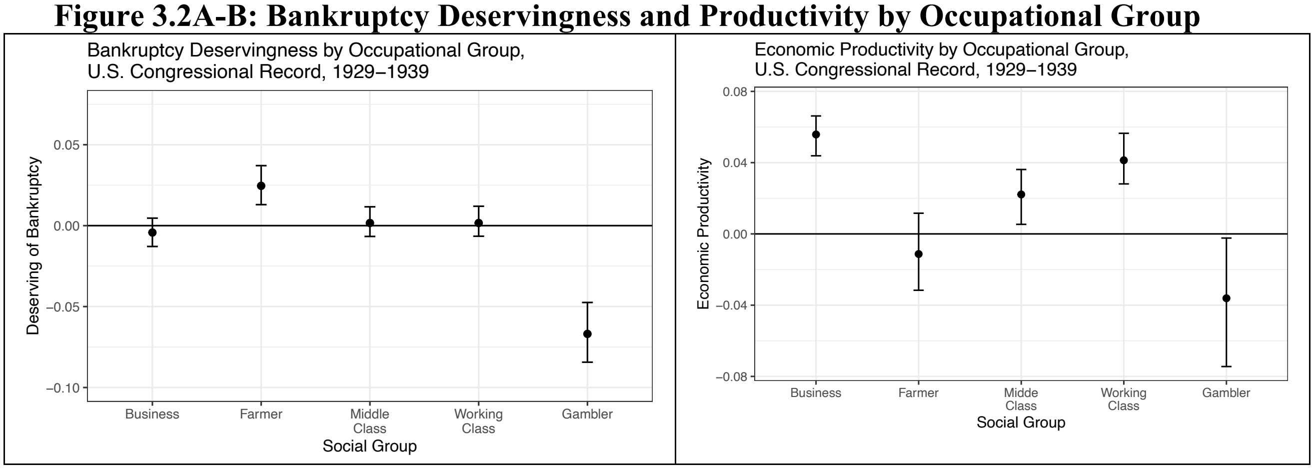
However, others viewed wage-earners as prototypical undeserving bankrupts. U.S. Solicitor General Thomas Thacher argued "persons who are not engaged in trade have as a rule no occasion to come into bankruptcy unless they have been living beyond their means on money borrowed from their creditors." Rather than economic dislocations or poverty, individuals' spendthrift behaviors led them to seek escape from their "just debts" (1931:1395). Even after the enactment of the 1938 Bankruptcy Act, the *Saturday Evening Post's* Lowell Brentano claimed, "there is virtually no excuse today for a man to go into bankruptcy if he does something about his debts soon enough" (1939:73). This discourse was applied to low- and high-income insolvents. Senator Daniel O. Hastings (R-DE) drew upon a conception of credit as a gift to suggest that for wage-earners to go through bankruptcy, they needed to pay their grocers, coal providers, among other merchants "who have taken care of him in the past by furnishing him the necessities of life" (1932:504-5). Others wrote stories about high-status individuals, including actors or governors, who purchased automobiles, furs, and furnishings on credit with the intention to file bankruptcy (Bromley 1933:102). In the midst of the Great Depression, many continued to emphasize how personal irresponsibility led to bankruptcy, and so insolvent people were undeserving regardless of their ability to obtain credit. Regardless of whether credit was employed for conspicuous consumption or for personal needs, this moral accounting was united by an understanding that insolvent wage-earners were not the helpless victims of external forces.

Yet qualitative analyses also suggest that factors beyond occupation influenced perceptions of deservingness. Specifically, the prototypical insolvent was often a white-coded man with a wife and children. In describing those in need of relief, Representative Robert Johnson (D-MO) stated that "To-day 8,000,000 of honest laborers with 25,000,000 good women and little children depending on them for support, are out of work through no fault of their own" (1932:4389). Descriptions of the prototypical deserving farmer, furthermore, echoes descriptions of white pioneers. For example, Representative Frank Sisson (D-NY) called for help for the "rugged individualists" who are on the verge of the "ruin of lost farms, impending bankruptcy, and suffering from poverty on the part of their wives and children" (1934:5039).

By comparison, non-white and women bankrupts are rarely mentioned. While this is largely due to the inability of women and Black people to gain access to market credit, when they are mentioned, they are often portrayed in an ambiguous to undeserving light. For instance, in contrast to the brisk summaries of the married man with medical debts, an older merchant with a decrepit building, and a laborer suffering from wage-garnishments, Arthur Pound in *The*

Atlantic Monthly concludes with the tale of Mrs. Clare, a widow who squandered the fortune accumulated since her family's pioneer days in the stock market (1932:173-5). In contrast to the moral ambiguity of Mrs. Clare, Black Americans are often framed as both relatively undeserving and as a cause of others' bankruptcies. In describing the multiple causes of Southern agricultural poverty, W.B. Nunnally of *The Atlanta Constitution* suggests poverty is partially due to "ignorant negroes" who lack enterprise and organizing acumen (1933:5B). These findings suggest that occupation, as well as race and gender, influenced perceptions of productivity and deservingness. However, while qualitative analyses help to uncover the prototypical deserving or productive insolvents, they are less well suited to determining the fine-grained schemas employed by legislators in the construction of these prototypes.

Figure 3.2A-B: Bankruptcy Deservingness and Productivity by Occupational Group

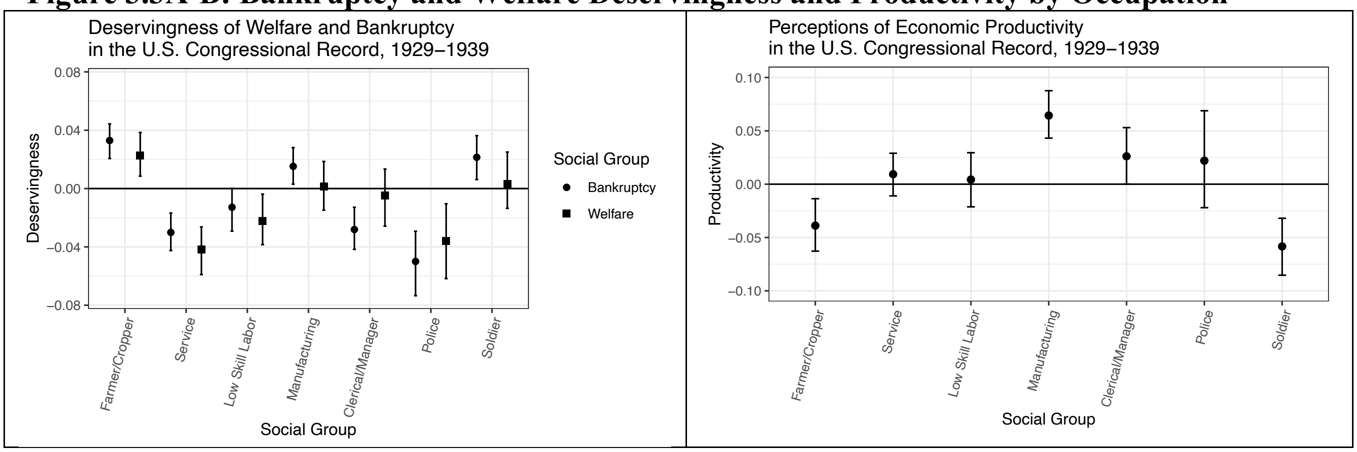


Turning to word embedding analyses to examine the cultural schemas of bankruptcy, I broadly confirm the qualitative findings. In terms of deservingness by major occupational group, both middle-class and working-class wage-earners, alongside business, are viewed ambiguously as neither deserving nor undeserving of bankruptcy protections.[33] Only farmers are perceived as

[33] Qualitative analyses suggest that individuals were described in a "colorblind" manner, such that when race is not mentioned the individual is marked as white. Occupation vectors without racial components are assumed to overwhelmingly refer to white individuals.

deserving of bankruptcy to a statistically significant degree, while only gamblers are viewed as clearly undeserving of bankruptcy.[34] By contrast, wage-earners and businesses are all viewed as productive. In these analyses, farmers are ambiguously neither productive nor unproductive. As such, only gamblers were clearly seen to be unproductive. While these analyses suggest that economic malfeasants needed to be excluded from bankruptcy, the findings for other groups remain uncertain. These analyses, especially for deservingness, suggest that bankruptcy discourse remained muddled throughout the Great Depression and was not clearly "pro-debtor" (Skeel 2001:98-100).

Figure 3.3A-B: Bankruptcy and Welfare Deservingness and Productivity by Occupation

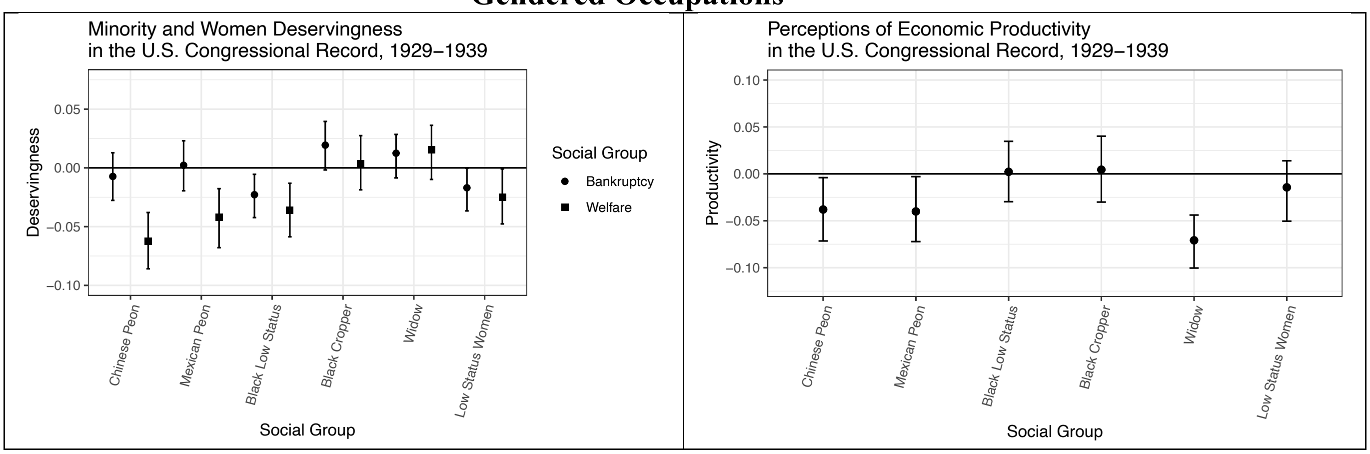


I conduct additional word embedding analyses to examine how American legislators conceived of bankruptcy for a wider range of occupational groups. Many working-class occupations continue to be seen as ambiguously deserving and productive. In support of qualitative analyses, both farmers and croppers and soldiers are seen as both unproductive and deserving. By contrast, manufacturing workers were perceived as both productive and deserving. Many other working-class workers, including service workers, clerks and managers, and police

[34] A Department of Commerce study claimed that 7% of personal bankruptcies were due to debtor "gambling" (Sadd and Williams 1933:22-7).

officers and firefighters were seen as undeserving and ambiguously (un)productive. These analyses suggest that manufacturing laborers, in particular, were seen as both moral and capable of paying their creditors. However, farmers and manufacturing workers, despite differences in their productivity, were both viewed as deserving, likely due to the perceived importance of their labor to the nation (Gourevitch 2015). Analyses for working-class insolvents also compare perceptions of bankruptcy and welfare deservingness. There is broad alignment in perceptions in deservingness of welfare and bankruptcy, which suggests that despite the complementary nature of the welfare state and credit market in political economy (Wiedemann 2021), their patterns of inclusion and exclusion remain culturally supplementary.

Figure 3.4A-B: Bankruptcy and Welfare Deservingness and Productivity by Racial and Gendered Occupations

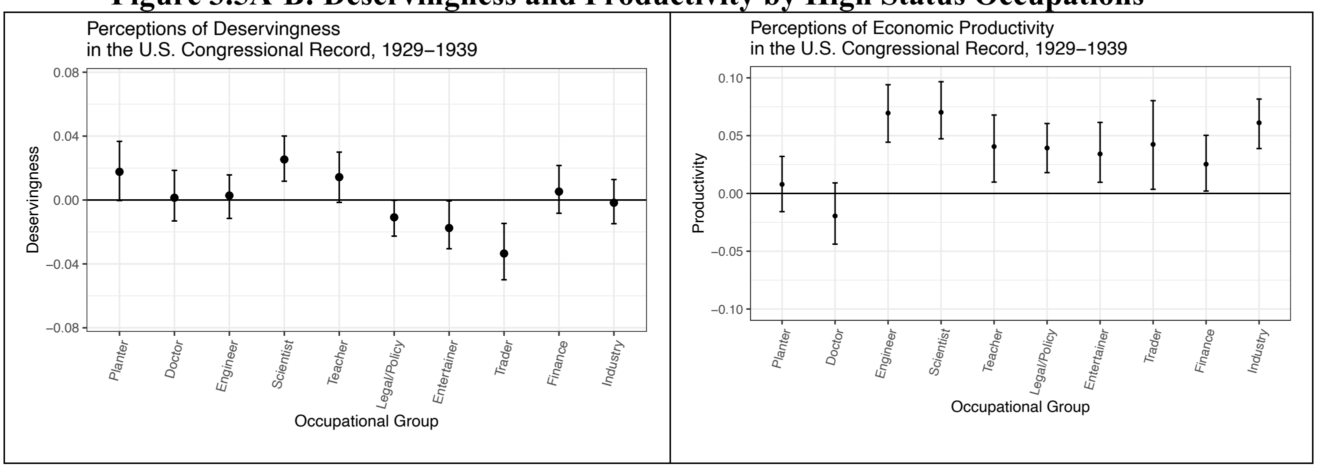


Next, I employ quantitative analyses to examine how perceptions of bankruptcy vary by raced and gendered occupations. While no group clearly is clearly prototypical, in alignment with findings from welfare, most are seen as ambiguously to fully undeserving (Fox 2012). Notably, both Mexican and Chinese peons[35], as well as widows, are viewed as unproductive yet still ambiguously deserving. By contrast, while both Black croppers and Black working-class

[35] Peonage is a coercive economic practice in which the worker has little control over the conditions of the labor relationship. The term was often used to describe low-skilled Chinese and Mexican workers.

laborers are seen as borderline unproductive, Black working-class insolvents are viewed as significantly less deserving than their cropper peers. In fleeing racial oppression, the Boll Weevil, and seeking greater economic opportunities in the North (Wilkerson 2010), these findings also suggest that the Great Migration related to reductions in Black people's deservingness. At the same time, while there are similarities in perceptions of the deservingness and productivity of workers, a comparison of analogous occupations reveals lower levels of inclusion for Black people in particular. For instance, while both farmers and croppers, and Black croppers are seen as unproductive, only the (white) farmers are seen as deserving of bankruptcy protections. As with other working-class occupations, legislators' perceptions of deservingness of bankruptcy protections were correlated with perceptions of welfare deservingness.

Figure 3.5A-B: Deservingness and Productivity by High Status Occupations



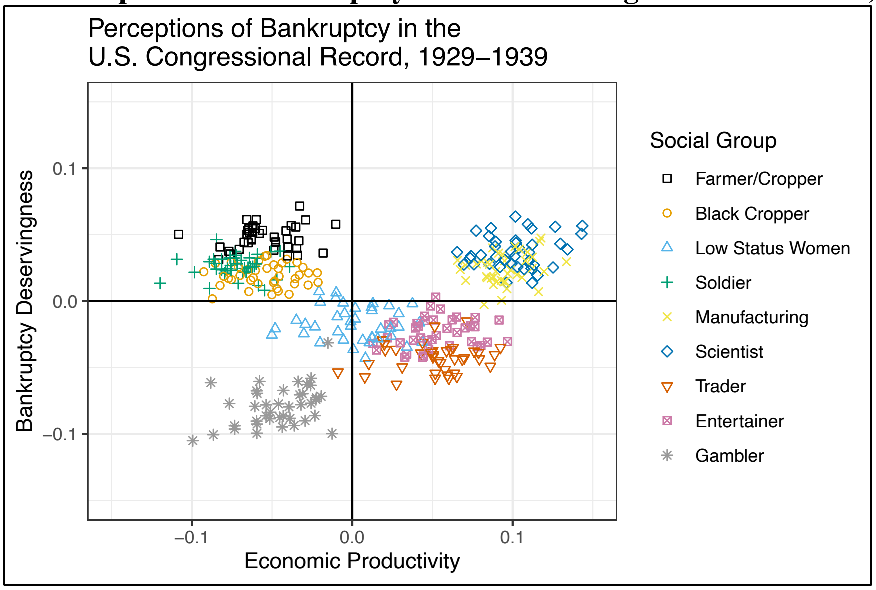
Finally, in word embedding analyses of middle-class insolvents, there is somewhat less variation in perceptions of deservingness, even as most occupations are viewed as productive. Except for doctors and planters, all occupational groups are viewed as productive. However, only scientists are seen as deserving to a significant degree, while entertainers and traders are perceived as significantly undeserving. Thus, while scientists are a prototypical deserving and productive insolvent, traders and entertainers are seen as undeserving of bankruptcy protections despite their productivity. This delinking of deservingness and productivity in bankruptcy aligns with the expansion of personal lending in the 1930s to salaried individuals based on an evaluation of risk rather than an explicit moral judgment (Hyman 2011:96). Furthermore, in accordance with qualitative findings, many individuals of higher socio-economic status also faced scrutiny as to whether they deserved bankruptcy protections.

Quantitative word embedding analyses allow parsing of the underlying schemas of productivity and deservingness for occupational groups. These analyses also confirm that throughout the Great Depression, productivity remained distinct from deservingness. Rather, policymakers classified social actors relatively independently along these dimensions. Statistically significant findings are also listed in Table 3.2. Figure 3.5 illustrates the main statistically significant findings, based on a random sample of 40-boostrapped models. Though no racial minority group nor women were statistically-significant along both dimensions, I also include Black croppers and low-status women workers to locate their position relative to other occupational groups. Collectively, qualitative and quantitative findings show that underlying the broad consensus in the enactment of Chapter XIII, there was ample variation in how legislators conceived of bankruptcy. Deservingness and productivity independently structured perceptions of bankruptcy along the lines of race, gender, and occupation.

Table 3.2: Statistically Significant Occupational Findings

		Productivity	
		Unproductive	*Productive*
Bankruptcy Deservingness	*Deserving*	Farmers, Soldiers	Manufacturing, Scientists
	Undeserving	Gamblers	Entertainers, Traders

Figure 3.6: Perceptions of Bankruptcy in the U.S. Congressional Record, 1929-39



These analyses uncover how cultural categories of productivity and deservingness independently shaped the debates about American bankruptcy law. Workers were variously seen as the prototypical recipients of immediate debt relief benefitting from rational or punitive payment of their debts. Efforts to exclude the dishonest and untrustworthy relate to policing the boundaries of deservingness of bankruptcy protections, while discussions over the expansion of debtor payment plans probed how to minimize lenders' losses as policymakers incentivized banks to extend credit to middle-class Americans (Hyman 2011). Yet as unsecured credit remained limited primarily to white men (Olney 1998), Representative Chandler oversaw the construction of a consensus bankruptcy law that accepted the prototypical white male insolvent's deservingness to bankruptcy protections. The 1938 Bankruptcy Act solidified the voluntary immediate discharge provision created in the 1898 Bankruptcy Act as Chapter VII, while also creating Chapter XIII to allow productive insolvents to voluntarily pay their creditors as honorable market actors. As the Act also formalized both business liquidation and reorganization in Chapters X and XI, Senator Joseph O'Mahoney (D-WY) argued the bill made the "machinery of the Federal courts available to small business houses and individuals in the same manner as to railroads and large corporations" (1938b:2).

The assumption of insolvents' honor meant that bankruptcy referees were not empowered to police the boundaries of deservingness and productivity to ensure that insolvents applied for the "correct" form of bankruptcy and did not receive an immediate discharge when they could pay more of their debts over time. Yet contrary to the expectations of wage-earner payment plan advocates, between 1946 and 1965, only 16% of personal bankruptcies were filed under Chapter XIII (Hansen and Hansen 2020:83). These tensions between the law in practice and the cultural categories embedded in the law persisted and laid the foundations for more punitive reconfigurations of bankruptcy.

Discussion and Conclusion:

This article shows how New Deal policymakers worked to promote social welfare and spur demand through simultaneous expansions of the welfare state and credit markets. Social actors overwhelmingly viewed bankruptcy as about debtors who failed apart from creditor oppression. This conception of fairly acquired debts laid the groundwork for the creation of a voluntary Chapter XIII system by Representative Walter Chandler. The 1938 Bankruptcy Act's Chapter XIII emphasized non-punitive methods to help deserving and productive wage-earners, such as manufacturing workers, pay their debts and recover their creditworthiness as economic citizens over time. Immediate discharges remained available for deserving yet unproductive individuals, such as farmers and soldiers. While only economic miscreants were clearly seen as excludable from bankruptcy as both unproductive and undeserving, a wide range of social groups, from service workers to Black working-class workers among others, continued to be viewed as (un)deserving of bankruptcy protections. Focused on alleviating suffering for the deserving while rejuvenating the American market economy, policymakers largely refrained from criticizing "predatory" creditors or "spendthrift" borrowers. Rather, they trusted overwhelmingly white male insolvents to select the "correct" form of bankruptcy protection that best accorded with their labor market prospects. This would help to promote generalized trust and the profitability of American personal finance (Guseva and Rona-Tas 2001).

In addition to extending past research on the development of a key feature of American bankruptcy law, this research has implications for our understanding of how racialized and gendered cultural categories shape the construction of America's liberal welfare state. While my research confirms that legal and creditor interest groups shaped the legislative text of the 1938 reform (Hansen and Hansen 2020; Skeel 2001), I show that there was minimal opposition from labor and philanthropic interest groups because policymakers' schemas of bankruptcy as about white male debtors led to the construction of a nonpunitive payment system for "deserving" bankrupts. This finding highlights the importance of embedding analyses of bankruptcy in their broader social and cultural context (Peebles 2012).

This finding has implications for our understanding of America's liberal welfare state by showing how moral and economic judgments in bankruptcy served to individualize failure and ultimately the acceptance of credit as central to American economic citizenship. Despite the Great Depression, social actors remained focused on whose future labor market productivity made paying debts over time a necessary part of re-entry to credit markets. Furthermore, explicitly moral conceptions of debt persisted through discourses of deservingness that remained aligned between discussions of welfare and bankruptcy. My research builds on recent scholarship that examines the intersection between the welfare state and credit markets

(Wiedemann 2021), but adds how cultural categories of deservingness and creditworthiness shape the moral accounting of how insolvents can regain their economic citizenship under the auspices of the state (Polillo 2011). This finding highlights how, in creating wage-earner payment plans, American elites accepted a moral inequity between creditors and debtors. This not only served to bolster the connection between individual's position in markets and social inclusion, but also helped to produce the citizen-debtor as central to American economic citizenship (Krippner 2017; Lazzarato 2012).

In turn, I show how categorical inequalities in credit markets shaped the construction of American bankruptcy law. As expected, individuals of higher socio-economic status are seen as more productive. Nevertheless, perceptions of deservingness are largely unrelated to productivity. I confirm scholarship that emphasizes the valorization of soldiers (Skocpol 1992), as well as free labor by white men, especially farmers and manufacturing workers, as central to the nation (Gourevitch 2015). In alignment with scholarship on welfare deservingness, most workers of color and women workers were viewed as undeserving (Fox 2012). Interestingly, Black Americans were seen as significantly more deserving as sharecroppers than as workers, which suggests that Black Americans' migration from racial apartheid and towards greater prosperity in the North was also a migration towards greater undeservingness (Wilkerson 2010). These results provide evidence on the cultural dimensions of occupational status hierarchies during a key period in American history. Importantly, these findings also add to our understanding of "racialization accounts" in credit markets (Wherry and Chakrabarti 2022). I argue that the difficulty that women and People of Color experienced in gaining access to unsecured credit in the early twentieth century (Olney 1998) was central to New Deal Era lawmakers' conceptions of most personal bankruptcies as deserving. This facilitated the creation of Chapter XIII bankruptcy on a voluntary basis. More broadly, this finding suggests the "constitutive whiteness of credit" (Robinson 2020:975) helped to solidify the legal underpinnings of American credit markets.

This study contains several limitations. First, my focus on the development of Chapter XIII in the 1930s United States means that it cannot confirm that this framework is applicable to understand dynamics of bankruptcy in the contemporary United States or in a transnational perspective. Specifically in the American case, what changes when the prototypical bankruptcy petitioner is no longer a white man supporting a wife and children? Second, bankruptcy is a key legal institution for the creation of rational credit markets and for social provisioning in liberal welfare regimes. However, it is rarely explicitly discussed as a portion of the welfare state. Scholars should examine the points of comparison between credit markets and the welfare state to see how social actors articulate discourses of "deservingness" or "productivity." Finally, turning from culture to patterns of material provisioning, future scholarship should probe how credit and welfare policies that affect individuals' reliance on markets for social provisioning influence bankruptcy usage, including participation in voluntary debt payment systems. By examining how individuals experience the interaction between the "direct" and "submerged" welfare states (Mettler 2011), we can better understand how moral accounting discourses shape the costs of economic citizenship.

This study's examination of the creation of voluntary debt payment plans in the 1930s has implications for credit and debt in the contemporary United States. Chapter XIII is now the default form of personal bankruptcy in the United States. The 2005 Bankruptcy Abuse Prevention Consumer Protection Act (BAPCPA) created a means-test to direct personal bankruptcy filers with an income above their state median to Chapter XIII's payment plans.

Despite rising levels of personal debt (Dwyer 2018), this has resulted in dramatic decreases in debt relief and higher levels of long-term insolvency (Hansen and Hansen 2020:160). Social actors have increasingly advocated for a reform of American personal bankruptcy (Gill 2022) alongside other efforts at debt relief, such as for student loans (Eaton et al. 2021). Nevertheless, this study suggests that in developing plans to ameliorate racial and gender inequities in the American credit system, contemporary advocates should remain attuned to the cultural schemas that shape perceptions of who is presumed to be a "deserving" economic citizen.

Chapter 4: "Undeserving": Creditor Losses, Black Bankrupts, and the Spread of Chapter XIII Bankruptcy

Credit transactions are promises in time that bind the lender and borrower together. Trust in future remuneration on the part of the lender is backed by moral obligation, social networks, and increasingly rational calculation of risk facilitated through law (Beckert 2013:330-2). Bankruptcy is one of these core legal tools, through prioritizing creditors' claims to debtors' assets at the point of insolvency. Yet when the debtors' main asset is not tangible property but rather their future wages, what are creditors' claims on debtors' potential earnings? The 1938 Bankruptcy Act clarified this relationship by giving bankruptcy petitioners the option to receive an immediate discharge (Chapter VII) or voluntarily choose to pay creditors over the course of three years (Chapter XIII), while shielding debtors' assets from collection in bankruptcy.

Despite the benefits of protecting assets from creditor collection, average levels of debt relief are lower under Chapter XIII than Chapter VII. Additionally, only one third of Chapter XIII petitioners complete their payment plans and receive a debt discharge (Norberg and Velkey 2006:476-7). As such, researchers have debated when bankruptcy petitioners will decide to file for Chapter XIII[36]. Political economic researchers have confirmed that bankruptcy petitioners make the economically rational decision to file for Chapter XIII in order to protect assets from creditors (Domowitz and Sartain 1999; Morrison et al. 2020). By contrast, critical legal scholars suggest that the Chapter XIII decision is shaped by racially biased bankruptcy lawyers. This means that Black Americans are more likely to petition for Chapter XIII bankruptcy, irrespective of what is in their economic interest (Braucher et al. 2012).

[36] Arabic numerals (1) have replaced Roman numerals (I) in bankruptcy chapter notation. For consistency, I employ Roman numerals when discussing the immediate discharge (VII) and payment plan (XIII) bankruptcy chapters.

Past scholarship has not solved the empirical puzzle of how Chapter XIII functioned in the early years following its enactment during the New Deal. Hansen and Hansen examine the percentage of Chapter XIII petitions among all bankruptcy filers by state and uncover that it is not predicted by state-level economic indicators or debt exemption laws in bankruptcy (2020:81-91). This suggests that the state-level spread of Chapter XIII was not driven by debtor incentives. Yet their reliance on state-level statistics means that we do not know whether individual debtors' economic situations influenced their decision of bankruptcy chapter choice. By contrast, Fleming (2019) examines the racial demographics of Birmingham, Alabama petitioners for Section 74 wage-earner payment plans in bankruptcy, which was an early 1930s predecessor to Chapter XIII. She shows that Black people were less likely to be represented among Section 74 filers than within the broader Birmingham population. Yet this study does not look into how commonly Black people in Birmingham petitioned for bankruptcy overall. It remains unclear who filed for Chapter XIII's payment plans, as opposed to Chapter VII's immediate discharge. Why did bankruptcy petitioners voluntarily file for Chapter XIII in the period following its enactment? And how did this choice intersect with race and racial politics?

The early practice of Chapter XIII's wage-earner payment plans sheds light on how creditors and debtors shift the costs of their failed relationship in the judicial system. Past scholarship on credit highlights how the creditor-debtor relationship is inequitable (Krippner 2017). It additionally uncovers how racial politics limit the extension of credit to "uncreditworthy" racial minorities (Wherry and Chakrabarti 2022). Other research has revealed that the judicial system's usage of financial penalties entraps individuals in inequitable debt relationships over an extended period of time (Coco 2014; Patillo and Kirk 2021). Integrating these literatures suggest that creditors may have attempted to employ Chapter XIII bankruptcy to reduce their losses. However, it does not provide insight into when actors (referees, lawyers) in the judicial system will shift the relative risks of credit towards individuals who have demonstrated that they are not “creditworthy”.

Bankruptcy is part of America’s liberal welfare state (Prasad 2012). Therefore, I incorporate scholarship on welfare “deservingness” (Fox 2012; Soss et al. 2011), which details how state actors attempt to limit assistance to racially “undeserving” individuals and rehabilitate them into economically responsible citizens. First, I replicate and build on Hansen and Hansen’s (2020) state-level analyses, which confirms that economic incentives do not predict the usage of Chapter XIII bankruptcy. Rather these results reveal that the proportion of bankruptcy petitioners who elected to participate in Chapter XIII’s payment plans is predicted by states’ bankruptcy rates in the previous year and their racial demographics. Chapter XIII bankruptcy was most common in states with high bankruptcy rates and a large racial minority share of the population. To examine whether this finding holds on the individual petitioner level, I focus on the bankruptcy chapter choice in the Chapter XIII capital of America: Birmingham, Alabama. I provide evidence that the strongest predictor of the choice to file for Chapter XIII bankruptcy, as compared to Chapter VII, was if the petitioner was racially classified as Black. Furthermore, under Chapter XIII’s payment plans, Black petitioners ultimately paid a significantly greater percentage of their debts to the court creditors than white Chapter XIII filers did. These results shed light on how the early practice of Chapter XIII bankruptcy was driven by judicial actors’ facilitating creditors’ efforts to limit their losses in bankruptcy. These efforts were especially focused on increasing the costs of bankruptcy for racially “undeserving” petitioners.

Understanding the early practice of Chapter XIII bankruptcy is important given the role of credit in modern American economic citizenship (Krippner 2017; Prasad 2012), including as it relates to the racial wealth gap (Derenoncourt et al. 2022). In addition to contributing to historical scholarship on Chapter XIII bankruptcy (Fleming 2019; Hansen and Hansen 2020), I build on contemporary legal research on bankruptcy by showing how discriminatory judicial actors (Braucher et al. 2012), not debtors' economic incentives (Domowitz and Sartain 1999), shaped the early spread and practice of wage-earner payment plans. Finally, this study integrates the sociology of credit's insights on the racial politics of credit allocation (Robinson 2020) with scholarship on welfare "deservingness" (Fox 2012) to show how the judicial system functions as a predatory arm of America's liberal welfare state. In racially mediating the creditor-debtor relationship, bankruptcy courts shifted the relative risks and costs of debt towards Black debtors (Patillo and Kirk 2021; Taylor 2019).

Background:

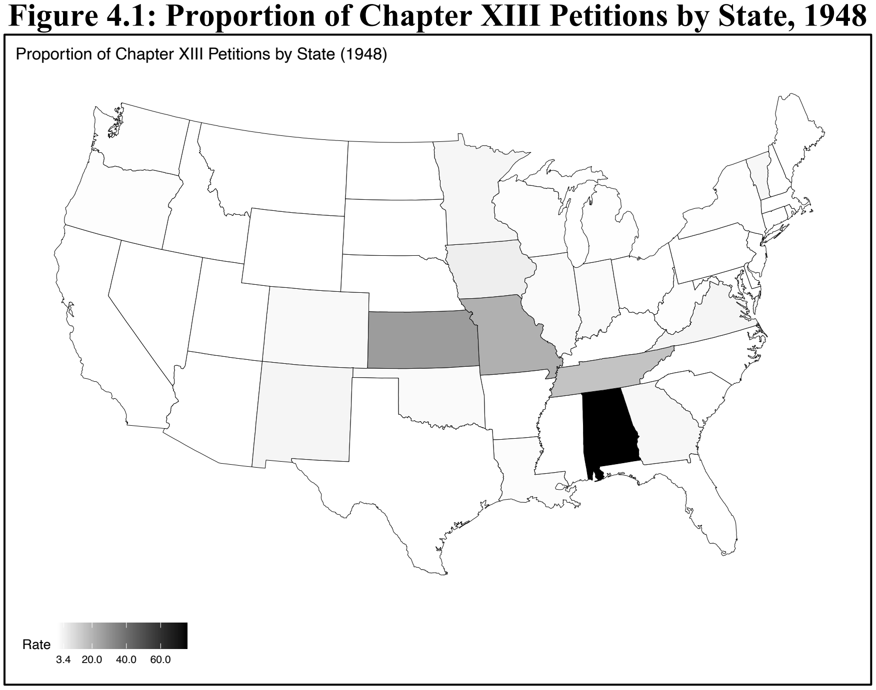
Federalism and the Creation of Wage-Earner Payment Plans

Bankruptcy law is integral to upholding modern credit markets. While credit and debt and insolvency are all longstanding features of human social relations (Graeber 2011), bankruptcy only emerged in the last few centuries (De ruysscher 2013:185-93; Mann 2002). The state's reorganization of creditor-debtor relations through bankruptcy law, in the form of prioritizing creditors' claims to debtors' assets, is central to solving the costs and collective action problem of monitoring debtors and racing to collect from debtors perceived to be close to insolvency. By rationalizing the relationships among creditors and between creditors and debtors (Kagan 1984), bankruptcy laws facilitate the rational calculation of risk that is essential for deep and impersonal credit markets in modern economies (Beckert 2013:330-2; Guseva and Rona-Tas 2001). In the American context, the first stable bankruptcy law was enacted in 1898. It created a judicial process that allowed for a distribution of debtors' assets to creditors and immediate discharge of their debts (Skeel 2001:28-44). Importantly, these bankrupts were primarily envisioned as businesses and men engaged in business, many of whose debts were secured by property and merchandise.

By the 1920s, however, an increasing number of wage-earners began petitioning for bankruptcy protections due to debts collateralized with wages (Bittmann 2021). This meant that wage-earners often did not have substantial assets to turn over to creditors in bankruptcy, which led to concern about rising losses for lenders (Sadd and Williams 1933). During the Great Depression, there were policy experiments in various states, including Ohio, Michigan, Virginia, and Wisconsin, all of which created payment systems to help the wage-earners amortize his/her debts outside of the bankruptcy process (Nugent 1935; Woodbridge 1940). Citing the high bankruptcy rate, the judicial establishment in Birmingham, Alabama took a separate route (Haden 1967:582). Judge W.I. Grubb appointed bankruptcy referee Valentine Nesbit to utilize Section 74 of the federal bankruptcy act to create a wage-earner debt payment system. This system would allow debtors to pay lenders under the supervision of the court while receiving relief from usurious interest charges (1933). As Representative Walter Chandler (D-TN) and creditor groups took an interest in the Birmingham experiment, it ultimately became the template for the formal incorporation of voluntary wage-earner payment plans in the 1938 Bankruptcy Act (Dixon and Epstein 2002). The final law, which was passed by unanimous consent, provided "honest" debtors a choice. The petitioner could either voluntarily pay debts to creditors over the course of three years before receiving a final discharge (Chapter XIII) or give up all non-exempt assets and receive an immediate debt discharge (Chapter VII).

Irrespective of the aspirations of Rep. Walter Chandler, Valentine Nesbit, and other creditor and judicial advocates of Chapter XIII bankruptcy, it was not widely employed in the decades following its creation in 1938. The vast majority of personal bankruptcy petitioners continued to elect to receive a straight bankruptcy discharge through Chapter VII rather than pay debts under court supervision. Nevertheless, there was ample variation in the percentage of bankruptcy filers who chose to petition for Chapter XIII by court district. For example, as of 1948, nationally 24.5% of personal bankruptcy petitions were filed under Chapter XIII. Yet in 25 of the 48 states, 100% of bankruptcy petitioners filed for Chapter VII. Given the concentration of Chapter XIII petitions in a subset of states, the average state's Chapter XIII petitioner share was only 3.4%. Chapter XIII was a significant minority of cases in a few states, such as Tennessee (16.1%), Missouri (21.3%), and Kansas (27.0%). Yet the Chapter XIII "capital" of America was Alabama (Dumas 1947), where 75.4% of bankruptcy petitioners chose to participate in Chapter XIII. See Figure 4.1 below.

Figure 4.1: Proportion of Chapter XIII Petitions by State, 1948



The prevalence of Chapter XIII bankruptcy in Alabama may be unsurprising given that it was pioneered in Birmingham. Despite this fact, it is not clear what factors led Chapter XIII bankruptcy to spread only to a few states, largely in the Deep South and Midwest. Within a few years of the enactment of the bankruptcy reform in 1938, the perceived failure of Chapter XIII had become a source of concern for legal and creditor groups. Writing in the National Retail Credit Organization magazine, *Credit World*, Portland, Oregon bankruptcy referee Estes Snedecor explained the apparent failure of bankruptcy petitioners to turn to Chapter XIII as partially the result of those "honest" insolvent debtors – who would honorably choose Chapter XIII over Chapter VII – being the debtors most unwilling to face the stigma of the bankruptcy court. To resolve this problem, he suggested that bankruptcy referees should spread the word about Chapter XIII, while creditors needed to build up credit bureaus in order to determine which borrowers were no longer "creditworthy". By cutting off their credit lines, this would push "honest" insolvent debtors into filing for bankruptcy protections despite the stigma (1939:25-9).

There were also discussions of the benefits of Chapter XIII at the National Association of Referees in Bankruptcy annual conferences (Allgood 1940; 1960), which reported on research trips by interested bankruptcy referees to Birmingham (Hansen and Hansen 2020:88-91). Following the Second World War, given the perceived failure of Chapter XIII, it became seen as a tool to rehabilitate the "irresponsible" debtor. President of the National Association of Referees in Bankruptcy, Reginald W. McDuffee, from the Southern District of Georgia, emphasized that to successfully implement Chapter XIII, each court needed a "referee dedicated to rehabilitation". Encouraging Chapter XIII usage would benefit debtors, as it was a "means of learning (perhaps for the first time) the hard lesson of self-discipline" (1961:193). This history underlines the centrality of local legal cultures (Sullivan et al. 1994) in shaping the state-level variation in Chapter XIII usage. It also indicates that judicial actors were attentive to creditors' losses in bankruptcy and increasingly skeptical of "irresponsible" debtors. It is insufficient, however, to explain where local referees successfully encouraged a large proportion of bankruptcy petitioners to enter into payment plans that reduce average levels of debt relief (Norberg and Velkey 2006).

Theory:

Debtor Incentives and the Chapter XIII Decision

Political economic perspectives suggest that the spread of Chapter XIII bankruptcy should relate to bankruptcy petitioners' economic incentives. Contemporary scholarship highlights how property ownership and higher incomes lead bankruptcy petitioners to file for Chapter XIII instead of Chapter VII.[37] As such, it is possible that despite referee discussions from the 1930s through 1960s on how to encourage usage of Chapter XIII's payment plans, the underlying success or failure of those efforts were downstream of how state laws structured bankruptcy petitioners' economic incentives. Additionally, it is possible that while bankruptcy referees successfully influenced where Chapter XIII was employed, individual petitioners' bankruptcy chapter decisions remained economically rational. While extant scholarship has not found evidence that state legal frameworks affected the adoption of Chapter XIII, no research has examined how individuals made their bankruptcy chapter choice during this time period.

Contemporary scholarship demonstrates that the individual-level choice to file for Chapter XIII is shaped by debtor incentives. Domowtiz and Sartain (1999) contend that the

[37] The 2005 Bankruptcy Abuse Prevention and Consumer Protection Act reduced debtor discretion by instituting a means-test directing individuals with an income above the median in their state to petition for Chapter XIII (Ramsay 2017:56-60). Nevertheless, individuals below the means-test threshold are still able to choose which bankruptcy chapter to petition for.

choice to file for Chapter XIII bankruptcy is driven by earning a higher income, as well as holding home equity that is protected from collection under Chapter XIII but not Chapter VII. With higher incomes, individuals may both have a greater ability to pay debts, as well as more incentive to recover their “creditworthiness”. Research indicates that Chapter XIII filers subsequently obtain higher credit card limits than those who filed for Chapter VII bankruptcy (Jagtiani and Li 2015). Additionally, individuals who own property that is not protected from collection in Chapter VII bankruptcy by their state’s exemption laws are likely to protect these assets through petitioning for Chapter XIII (Anthony 2012). In turn, the vast majority of Chapter XIII petitioners employ their payment plans to amortize mortgage debt instead of other unsecured debts, such as credit card debts (White and Zhu 2010). In terms of race and chapter choice, this scholarship does not make clear predictions. Black Americans tend to hold fewer assets than white Americans, including home equity (Derenoncourt et al. 2022:20). As such, they should be less likely to petition for Chapter XIII than white bankruptcy petitioners. However, this may be complicated by the differential use values of property by race. Recent scholarship that examines the effect of car ownership on the bankruptcy chapter choice (Morrison et al. 2020) finds that Black Chicagoans in bankruptcy, who generally must drive to work, petition for Chapter XIII at higher rates than similar white Chicagoans. They suggest that Black Chicagoans are more sensitive to having their automobiles repossessed in Chapter VII bankruptcy.

Political economic researchers have largely overlooked the early practice of Chapter XIII bankruptcy. However, Hansen and Hansen conduct state-level analyses of Chapter XIII usage by state in the post-World War II and Nixon Eras. While they find that Chapter XIII usage declines during recessions, they do not find evidence that debtors’ economic incentives predict the spread of Chapter XIII usage. In fact, they show that states with higher personal exemptions in bankruptcy have a larger proportion of bankruptcy petitioners who file for Chapter XIII, even though this would be against their economic incentives (2020:82-6). This is suggestive that state-level patterns in Chapter XIII filings were not solely based on economic decisions by debtors. Yet it remains an open question as to whether, within states where Chapter XIII was commonly employed in the post-World War II era, individual petitioners' bankruptcy chapter decision was driven by their own rational interests.

Chapter XIII as for "Undeserving" Bankrupts

Other scholars contend that bankruptcy courts produce racially inequitable outcomes, even as they differ on the scope and causes of this disparity. Critical legal scholars have uncovered the role of race who files for Chapter XIII bankruptcy (Cohen and Lawless 2012). This accords with sociological research on Black Americans' difficulty in obtaining credit (Wherry and Chakrabarti 2022), as well as discriminatory treatment in the welfare and judicial systems (Patillo and Kirk 2021; Soss et al. 2012). Legal scholarships' focus on discriminatory judges and lawyers suggests a direct relationship in which states with larger Black populations will have a greater proportion of Chapter XIII petitions in the period following the enactment of the 1938 Bankruptcy Act. Black bankruptcy petitioners will also be more likely to petition for Chapter XIII over Chapter VII. Sociological research on credit and welfare will also predict that the bankruptcy rate per se, and in interaction with states' racial demographics, will shape Chapter XIII usage. Judicial actors are attuned to creditors' losses in bankruptcy, especially when petitioners are seen as racially "undeserving".

Critical legal scholars have uncovered evidence of implicit bias in the practice of American bankruptcy. Black Americans petition for bankruptcy protections at higher rates than white Americans (Sullivan et al. 2000:46). Nevertheless, Black Americans are more likely to have their bankruptcy petitions rejected by judges. This is meaningful because having a bankruptcy petition rejected causes further deterioration in an individual's economic situation and increased mortality risks (Dobbie and Song 2015). Within the bankruptcy chapter choice, Braucher, Cohen, and Lawless (2012) provide evidence that Black bankruptcy petitioners are significantly more likely to petition for Chapter XIII than white petitioners, rather than Chapter VII, net of their assets and economic conditions. In turn, they experimentally demonstrate that consumer bankruptcy attorneys view Black petitioners as more competent when they petition for Chapter XIII and white petitioners as more competent when they petition for Chapter VII. This scholarship details racial discrimination in the bankruptcy system that patterns levels of debt relief in bankruptcy. Other scholarship confirms that attorney discretion is an important part of the bankruptcy chapter choice (Lefgren et al. 2010). Yet this focus on attorneys' implicit biases is inattentive to the broader inequitable relationship between creditors and debtors (Graeber 2011) and how it may be manifest in the bankruptcy system.

Sociological research on credit and race sheds light on how states construct racialized credit markets that imbue "whiteness" into determinations of "creditworthiness" (Wherry and Chakrabarti 2022). Since the early twentieth century (Olney 1998), Black Americans have used less debt than white Americans. As credit became central to American economic citizenship, these patterns of racial discrimination in markets continued, even as they were submerged through algorithmic credit allocation (Hyman 2011:137-45, 173-90; Killewald 2013). Though Black Americans have less access to credit, the debt they obtain is disproportionately higher cost loans from outside of the mainstream financial system (Charron-Chenier and Seamster 2021; Small et al. 2021). Researchers have argued that this is a manifestation of the "constitutive whiteness of credit" (Robinson 2020:975). This includes the Federal Housing Administration's "redlining" practices that limited Black home buyers' access to low-rate mortgages (Rothstein 2017:39-58). Even after the end of formal redlining, however, Robinson details how 1970s efforts to finance rental housing for Black Americans led to a political backlash centered on whether Black Americans were "creditworthy".

Researchers have also uncovered evidence of systemic racial inequities in the welfare state. Fox details how policy views of Black Americans and welfare shifted during the Great Depression, even as they were undergirded by a stable assumption of their "undeservingness." New Deal policymakers originally argued that Black Americans did not require public assistance. In spite of that, as Black Americans attempted to obtain welfare benefits, policymakers soon began articulating concerns that their inherent laziness led them to the government dole. This was central to justifying de facto exclusion of Southern Black Americans from relief efforts and their disproportionate exclusion from old age benefits created in the 1935 Social Security Act (2012:188-99, 269-80). Racialized conceptions of "underservingness" continue to shape the practice of the American welfare state. The strongest state-level predictor of restrictions on Temporary Aid for Needy Families eligibility is the proportion of program recipients who are Black (Soss et al. 2011:112-40). As bankruptcy is part of America's liberal welfare state (Prasad 2012:181-4), we can expect that discourses of "deservingness" will shape the practice of the bankruptcy courts.

Finally, scholarship on financialization of the judicial system highlights how it serves as a tool of social control. For example, Patillo and Kirk (2021) examine court fines and fees to show how low-income individuals struggle to manage the regularized temporalities of payment plans over the course of months or years. This underlines how the state, through the judicial system, can force individuals to remain party to inequitable debt relationships in time (Storms and

Verschraegen 2019). Research that theorizes contemporary bankruptcy argues that Chapter XIII's payment plans are a tool of creditor control that shifts the relative risks of debt to individual borrowers (Coco 2014). This suggests that high bankruptcy rates will lead judicial actors to help creditors reduce their losses by encouraging bankruptcy petitioners to file for Chapter XIII. Yet given that Black people are outside of the whiteness of credit, it is less clear how courts would react to rising numbers of manifestly "uncreditworthy" Black people petitioning for bankruptcy.

We know relatively little about racial inequities in the early Chapter XIII bankruptcy system. The only research on this subject examines the practice of early debt payment plans (Section 74) in Birmingham, Alabama during the Great Depression. Fleming (2019) finds that Black people were less likely to file for these plans than their overall percentage of the Birmingham population. This might be explained by Black people not obtaining the credit that could necessitate a bankruptcy petition, or simply that Black people in bankruptcy did not petition for Section 74. Without data on petitioners' debts and assets and a comparison to individuals who petitioned for a straight bankruptcy discharge, we cannot adjudicate between these different arguments. It is unclear if racial discrimination in the modern bankruptcy system existed in the early period of debt payment plans. Even so, critical legal scholarship expects that as Black people used credit and began petitioning for bankruptcy protections, they would be directed by their lawyers towards Chapter XIII, irrespective of their economic incentives. On a state-level, we can expect that racial demographics will directly predict the proportion of bankruptcy petitioners who file for Chapter XIII. On an individual-level, race will be a significant predictor of the petitioner's chapter decision.

Integrating scholarship on credit and welfare with research on the judicial system, we can expect that judicial actors will be attuned to minimizing creditors' risks. This is exemplified by a greater proportion of Chapter XIII petitions in states with high bankruptcy rates, as referees and lawyers respond to creditors' incentives to reduce debtors' levels of relief in bankruptcy Furthermore, research on welfare "deservingness" suggests that this process will be amplified when bankruptcy petitioners are racial minorities. When large numbers of Black people petition for bankruptcy protections, judicial actors are especially willing to encourage "self-discipline" by directing these "undeserving" individuals to pay creditors out of future wages. This will be manifest on the state-level, in which states' racial demographics and bankruptcy rate interact to affect the usage of Chapter XIII. On an individual-level, Black Chapter XIII petitioners will pay a greater proportion of their debts to the court than white Chapter XIII petitioners.

Data and Methods:

In order to examine how debtors and creditors' economic incentives interact with race to shape the spread and practice of Chapter XIII bankruptcy, I analyze both state and individual-level data on bankrupts.[38] First, I examine state-level data to understand where local-legal cultures were most supportive of Chapter XIII usage among bankruptcy petitioners (Sullivan et al. 1994). Key data on the bankruptcy rate, Chapter XIII usage, and state exemption laws are compiled by Hansen et al. (2016; Hansen and Hansen 2020:101). I rely on U.S. Census records, interpolated for inter-censual years, on the proportion of state residents who are classified as white (Haines et al. 2010). Information on per capita income and the months of recession for

[38] In both state- and individual-level analyses, I am comparing bankruptcy chapter rates and the individual chapter choice respectively among those who petitioned for bankruptcy. Therefore, these analyses cannot speak to the decision to file for bankruptcy protections.

each year is drawn from the Bureau of Economic Analysis (2023) and the National Bureau of Economic Research (2023) respectively. Finally, I employ data on credit extension in the United States (Flood 1998). These data allow us to build on Hansen and Hansen's (2020:82-86) analyses on how local bankruptcy practice, demographics, credit access, and state-level bankruptcy exemptions shaped where Chapter XIII became a commonly used part of America's bankruptcy regime. See Table 4.1 below. Unfortunately, missing covariates means that these analyses only contain 431 state-year observations across nine years, from 1947-1955. These state-level data, furthermore, are limited in their ability to speak to individuals' choices to petition for Chapter XIII bankruptcy.

Table 4.1: State-Level Bankruptcy Sample, 1947-1955

	Mean (Standard Deviation)
Percent Chapter XIII	34.67 (14.31)
Bankruptcy Rate per 10k	1.79 (3.34)
Months of Recession	2.56 (3.98)
Percent White	89.81 (10.22)
Percent Urban	56.07 (15.03)
Per Capita Income (2020 $)	47,096 (11,627)
Residential Loans	973,492 (2,622,850)
Unsecured Loans	78,958 (202,521)
Wage Exemption	164.19 (58.38)
Personal Exemption	2,265 (2,448) (2,447)
Household Exemption	33,636 (74,921)

To examine individual bankruptcy petitioners' chapter decisions, I compiled a new dataset from the court district with the highest rates of Chapter XIII usage in the United States in the years following its enactment: the Northern District of Alabama at Birmingham. Bankruptcy petitions were collected from 1939-40 and 1946-50. Records were not collected during the period overlapping with America's participation in the Second World War due to federal credit controls (Hyman 2011:98-131) that may have uniquely shaped the characteristics of bankruptcy petitions and the chapter choice. The random sample (n=546) is compiled from two separate series of Chapter VII and Chapter XI and Chapter XIII bankruptcy petitions.[39] After excluding Chapter XI business cases and those with missing information, there are 529 petitions in this sample. Petitions contain information both on the bankruptcy chapter choice, as well as the total amount of debts and non-exempted assets. Information on the debtor's occupation and employer is also reported. In order to provide a rough measure of occupational status and income, I classify occupations by Ruggles et al. (2019) Occscore measure, which is a relational measure of median income by occupation as of 1950. This measure is commonly used in historical research on socio-economic inequality (Catron 2019; Goldstein and Stecklov 2016).

Finally, I identify the racial classification of petitioners in a number of different ways. First, 31% of petitions classified the race of the filer (i.e., "negro" or "white" written on the petition cover sheet). I was then able to obtain an additional 52% of petitioners' state racial classifications through linking them to their census records. In sum, the final sample is 441 among petitioners in which demographic information could be ascertained and 365 with

[39] In the Northern District of Alabama, cases were separately filed as either "Bankruptcies" (Chapter VII/XI) or "Debtor's Petitions" (Chapter XIII). Archivists subsequently randomly sampled cases for preservation. The Chapter VII and XI cases are a 1/20th sample of all petitions. In regards to the 1939-40 Chapter XIII sample, a 1/7th sample is included, while from 1946-50, a 1/23rd sample is preserved. Based on researcher constraints, the Chapter XIII sample was reduced to every-other box in this randomly-sampled series, or a 1/14th and 1/46th sample for the two time periods respectively. These data were collected at the National Archives at Kansas City.

information on marital status and household size.[40] As compared to the 1950 census, the sample of bankruptcy petitioners is older and more likely to be married with larger household sizes, and less likely to have completed high school (12+ years of education). As compared to the broader population, they are more likely to work in transport and communications and personal services, while they are less likely to work in mining and finance and real estate. In terms of demographics, bankruptcy petitioners are also much more likely to be Black and less likely to be women. Bankruptcy petitioners have higher occupational statuses than the broader population. Nevertheless, it is possible that individuals of higher occupational statuses experienced income losses, which led to their bankruptcy petition.[41] See Table 4.2 below and Appendix D, Table 1 for a comparison of matched vs. unmatched petitioners.

Table 4.2: Birmingham, Alabama Bankruptcy Sample, 1939-40, 1946-50

	Census	Ch. VII	Ch. XIII
Sample Proportion		0.41	0.59
Total Debts		5,936	3,639
		(10,042)	(3,539)
Non-Exempt		60	94
Assets		(724)	(965)
Black	0.373	0.46	0.76
Women		0.05	0.01
Age	28.2	34.0	34.2
		(10.10)	(9.99)
Married[42]	0.72	0.86	0.85
		(0.35)	(0.35)
Occscore	18.90	24.20	24.31
	(12.78)	(7.44)	(5.14)
Household Size	3.2	2.98	3.44
		(1.71)	(3.44)

[40] I assume that the petitioner's marital status is that which is recorded in the 1940 (for the 1939-40 sample) and 1950 (for the 1946-50) census, unless additional information (e.g., marriage, divorce decrees) suggest otherwise. For household size, I record the ages of children from the U.S. census records, which allows me to estimate the number of children present in the household at the time of the bankruptcy filing. Both measures are rough estimates.

[41] A sample of Kansas City, Missouri bankruptcy petitioners with information on income reveal that petitioners reported below-average incomes, even as they had above-average occupational statuses. This accords with contemporary findings on income and bankruptcy petitions (Bucks 2012). See Appendix D, Table 2.

[42] Information on marital status and occupational score are not available on the county-level for 1950. Therefore, Married and Occscore census comparisons are for the entire state of Alabama.

Completed HS[43] (over 25)	0.305	0.18	0.12
Industry Category			
- Agriculture	0.013	0.026	0.00
- Mining	0.080	0.006	0.00
- Construction	0.060	0.104	0.064
- Manufacturing	0.260	0.221	0.282
- Transport & Communications	0.093	0.149	0.345
- Trade	0.206	0.221	0.082
- Finance & Real Estate	0.040	0.006	0.010
- Business Services	0.077	0.10	0.136
- Personal Services	0.058	0.136	0.082

These data cannot provide a comprehensive picture on the practice of Chapter XIII bankruptcy in the years following its enactment. State-level data is limited by the necessity of ecological inference from state-level measures to individual debtors, creditors, and judicial actors' actions. By contrast, individual-level data allows for more fine-grained examination of how debt loads, amount of non-exempt assets, occupations, and demographic characteristics relate to the choice to file for Chapter XIII versus Chapter VII bankruptcy in its "birth" district. Nevertheless, the limited sample size and lack of state and court-level variation means that we cannot replicate state-level analyses, including the role of bankruptcy rates or exemption laws, on shaping the individual-level chapter decision.

State-level models analyze the percentage of bankruptcy petitioners who elected to file for Chapter XIII in a given state-year using Ordinary Least Squares regression. The main independent variables in this model are the state bankruptcy rate in the previous year and the proportion of the state population that is classified as white (Braucher et al. 2012). I focus on the bankruptcy rate because historical scholarship suggests that bankruptcy rates per se were a

[43] Including education reduces the sample down to 227 petitions in Birmingham. As such, I do not include this covariate in regression modeling.

source of concern (Sadd and Williams 1933) with payment plans as a solution to wage-earner bankruptcies (Haden 1967). I use the bankruptcy rate in the previous year to mitigate issues of reverse causality. As I am interested in whether Chapter XIII usage shifts based on whether high bankruptcy rates were "caused" by "undeserving" individuals petitioning for bankruptcy protections, I also estimate the interaction between the bankruptcy rate and state-level white share. This model adjusts for economic factors that may relate to the decision to petition for bankruptcy, including recessions, per capita income, and levels of mortgage and non-mortgage bank lending. Additionally, I incorporate covariates on factors that shape petitioners' incentives to choose Chapter XIII bankruptcy, including the level of wage, personal, and household exemptions from debt collection in Chapter VII bankruptcy. The final model also includes state-level dummies to account for the possibility that longstanding unobserved state-level characteristics led to a high proportion of Chapter XIII cases. However, this requires dropping covariates with little or no change over time, including the main interaction (white share) and exemption laws.

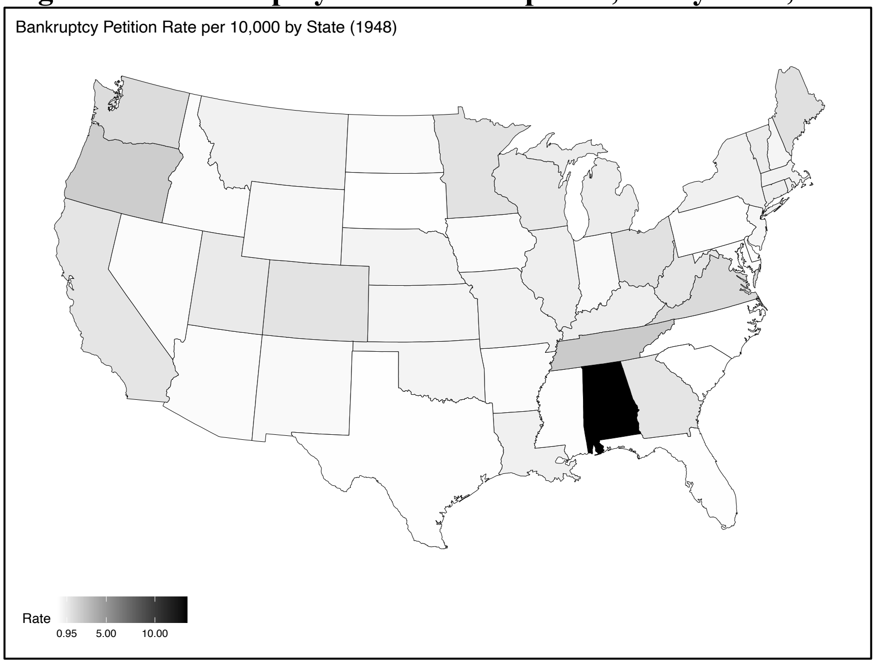
The individual-level Birmingham, Alabama sample examines the characteristics of individual petitioners who filed for Chapter XIII (rather than Chapter VII) using logistic regression. The main independent variable is the petitioner's racial classification. I include economic information on petitioners, including covariates for their occupational score, total debts, and the amount of non-exempt assets (Domowitz and Sartain 1999). Models also include information on the petitioners' gender. Final models (on a smaller sample) additionally contain information on the petitioners' age and household size, and whether he/she is married. I include year fixed effects to account for exogenous temporal shocks that may relate to the bankruptcy chapter decision. All logistic regression results are converted to odds-ratios to improve interpretability. Finally, among Chapter XIII filers, I examine the proportion of debts paid to the court divided by the sum of debts reported on their bankruptcy petitions. I then conduct a t-test to examine whether this proportion differs between white and Black Chapter XIII filers. In sum, these data and analyses provide a lens into how debtor and creditors' interests intersected with race to shape the early practice of Chapter XIII.

Results:

These state- and individual-level analyses provide evidence that the spread and practice of Chapter XIII bankruptcy was associated with minimizing creditor losses and concerns over "undeserving" individuals petitioning for bankruptcy protections. In particular, Chapter XIII bankruptcy was more commonly used in racially diverse states that also had high bankruptcy rates. Furthermore, in Birmingham, Alabama, Black bankruptcy petitioners were both more likely to petition for Chapter XIII than Chapter VII bankruptcy, and paid a greater proportion of their debts into the wage-payment system, as compared to white bankruptcy petitioners. By contrast, I do not find support for expectations that voluntary Chapter XIII usage is associated with economic incentives for bankruptcy petitioners.

Bankruptcy Rates, State Diversity, and Chapter XIII Usage, 1947-1955

Figure 4.2: Bankruptcy Petition Rate per 10,000 by State, 1948



Preliminary analyses suggest that there is a relationship between the bankruptcy rate and the percentage of bankruptcy petitioners who elected to pay debts through Chapter XIII. See Figure 4.2 and Figure 4.1 (above). There is a 0.87 correlation between the state-level bankruptcy rate and Chapter XIII usage proportion as of 1948. Overall, between 1946 and 1955 there is a 0.74 correlation between states' bankruptcy rates and Chapter XIII percentage. This aligns with Birmingham bankruptcy referee Clarence Allgood's recollection that wage-earner payment plans were developed due to concerns about Alabama's bankruptcy rate (Haden 1967:582). Nevertheless, it may be that in states and years with high bankruptcy rates, petitioners chose to amortize their debts through the Chapter XIII system. Turning to multivariate analysis, I show that each percent increase in the previous year's state-level bankruptcy rate is associated with an additional 3.1% increase in the following years' Chapter XIII share. See Table 4.3, Model 1.

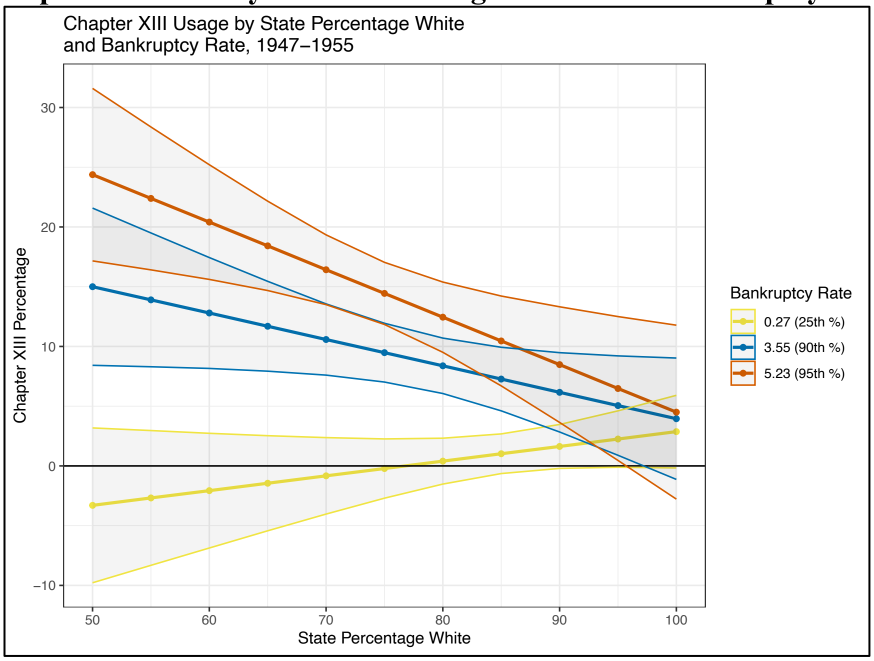
Table 4.3: State Chapter XIII Percentage, 1947-1955

	Model 1	Model 2	Model 3
Bankruptcy Rate per 10k	3.14***	10.82***	1.31***
	(0.29)	(1.72)	(0.30)
Proportion White	0.02	0.15	
	(0.09)	(0.09)	
Bankruptcy Rate *		-0.10***	
Proportion White		(0.02)	
Months of Recession	-0.12**	-0.03	-0.05*
	(0.03)	(0.03)	(0.02)
Proportion Urban	0.08	0.07	0.11
	(0.06)	(0.06)	(0.11)
Income / 1,000 (2020 $)	-0.18*	-0.11	-0.02
	(0.7)	(0.05)	(0.04)
Residential Loans / 1,000	0.00	0.00	-0.00
	(0.00)	(0.00)	(0.00)
Unsecured Loans / 1,000	-0.01	-0.01	0.00
	(0.01)	(0.01)	(0.00)
Wage Exemption	0.04	0.03	
	(0.03)	(0.03)	
Personal Exemption	1.24	1.52	
	(0.95)	(0.90)	
Household Exemption	0.00	-0.00	
	(0.01)	(0.01)	
State Fixed Effects			X
Observations	431	431	431

* p<0.05, ** p<0.01, *** p<0.001 (Two-Tailed).
Robust Standard Errors are clustered by state.

In the third model, in order to adjust for longstanding state cultures that shape both the bankruptcy rate and Chapter XIII share, I replicate these analyses with state-fixed effects. As racial demographics and state exemptions laws are stable throughout this time period, they are dropped from the model. Though the effect size is attenuated, a 1/10,000 increase in the bankruptcy rate continues to be associated with a 1.31% increase in the proportion of bankruptcy petitioners choosing to enter into Chapter XIII. The only other covariate that is predictive of decreased Chapter XIII filings are recessions. This is reasonable given that bankruptcy petitioners may have had a reduced ability to pay or be at greater risk of job loss during economic downturns. However, in neither model are bankruptcy petitioners' economic incentives, such state-level wage, homestead, and personal exemptions, related to the proportion of petitioners choosing to pay debts (and protect assets) through Chapter XIII bankruptcy (Domowitz and Sartain 1999; Morrison et al. 2020).

Figure 4.3: Chapter XIII Use by State Percentage White and Bankruptcy Rate, 1947-1955



Contrary to critical legal scholars (Braucher et al. 2012), Model 1 shows that there is no direct relationship between the proportion of the state population that is classified as white and the share of bankruptcy petitioners that participate in Chapter XIII. However, sociological research suggests that judicial actors may be more concerned about reducing creditors' losses when faced with "undeserving" bankruptcy petitioners (Patillo and Kirk 2021; Soss et al. 2011). As such, I interact each states' previous year bankruptcy rate with the proportion of the population that is classified as white.[44] See Table 4.3, Model 2. I find evidence in support of this expectation. In particular, bankruptcy petitioners are much more likely to voluntarily participate in wage-earner payment plans in states with high bankruptcy rates and a larger non-white

[44] Given limited change in states' racial demographics, I am not able to include state fixed effects in this model.

population. This result is represented in Figure 4.3 above, which shows the proportion of Chapter XIII petitioners by states' racial demographics with the previous year's bankruptcy rates in the 25th (0.27 per 10,000), 90th (3.55 per 10,000) and 95th (5.23 per 10,000) percentiles. States with low bankruptcy rates, such as South Carolina (0.01 per 10,000; 63% white) and South Dakota (0.02 per 10,000; 96% white) in 1946, both had no Chapter XIII filings (0%), irrespective of the size of their non-white populations. Similarly, many overwhelmingly white states with high bankruptcy rates, such as Colorado in 1954 (6.13 per 10,000; 97% white), also had low Chapter XIII filing levels the next year (0.2%). In contrast, states with both high bankruptcy rates and large non-white populations, such as Tennessee in 1954 (8.28 per 10,000; 83% white) had relatively high subsequent Chapter XIII filing proportions (34.5%).

These results confirm that there is no national story of Chapter XIII bankruptcy, but rather that the usage of Chapter XIII was shaped by local conditions and legal cultures (Sullivan et al. 1994). They also undermine the argument that the choice to file for Chapter XIII bankruptcy was driven by debtors' economic incentives. By contrast, it suggests that bankruptcy referees successfully pushed for a greater proportion of bankruptcy petitioners to choose Chapter XIII's debt payment plans based on concerns about high levels of debt discharged through Chapter VII bankruptcy. This was a racialized process, as subsequent Chapter XIII percentages were the highest in states with large non-white populations that also had high bankruptcy rates.[45] Yet these state-level data do not have information on the racial classification of bankruptcy petitioners. As such, it is possible that within states in which Chapter XIII was commonly employed, the bankruptcy chapter choice was a race-neutral process based on the petitioners' economic incentives or even that Chapter XIII was dominated by white bankruptcy filers.

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[45] Supplemental analyses show that state racial demographics are not predictive of the state bankruptcy rate. See Appendix D, Table 3.

The Bankruptcy Chapter Choice in Birmingham, Alabama

I examine the factors that shape the choice to petition for Chapter XIII bankruptcy in Birmingham, Alabama. During the 1940s, Alabama consistently had the highest bankruptcy rate and highest proportion of Chapter XIII petitions in the United States. In terms of lending laws, Alabama never enacted a Small Loan Law (Hubachek 1941:134-6). Without increased regulatory oversight of the small loan industry and effective interest rate caps (Anderson 2008), individuals who borrowed small sums to support themselves often became trapped under the weight of accumulating interest payments of up to 240% per annum (Fleming 2019).[46] If borrowers were unable to keep up with payments, Alabama state law also made it easy for lenders to garnish debtors' wages, with only $25 exempted per month (Fleming 2019; Nugent et al. 1936:8). For comparison, the average monthly wage in 1940 in Alabama was only $39. Faced with the garnishment of a majority of one's wage, and oftentimes job termination by skeptical employers, many people turned to the bankruptcy system to obtain release from their debts.

Birmingham was also a central pillar of the Jim Crow South (Brown 2018:29-40). In addition to the longstanding threats of racist violence, social degradation continued to increase in the early twentieth century, with the 1920s enactment of streetcar segregation and housing segregation ordinances (Fleming 2019). As a leading southern industrial city, the economy was dominated by major mining and steel manufacturing corporations, including Tennessee Coal, Iron, and Railroad and Sloss Sheffield Steel and Iron. Both Black and white workers were employed at these plants, though Black workers' concentration in semi- and unskilled positions and racist hiring and firing practices meant that they were hit hardest by mechanization. Many of

[46] Note that the entrance of federally-regulated banks into the personal loan market in the 1930s led to a dissolution of the Russell Sage Foundation's (RSF) state-level interest rate cap framework (Bittman 2021:234-41; Hyman 2011:78-97). The RSF closed its Consumer Credit Department in 1946.

these plants unionized in the 1930s, though the unions' promotion of a seniority system led Black workers to continue to decline as a proportion of the industrial workforce (Norrell 1986). While systematic information on credit is unavailable in Birmingham during this time period, other scholarship on credit in the urban Jim Crow South uncovers how Black people's inability to access merchant credit meant that they were especially reliant on small loans, generally from white-run establishments (Bittmann 2018). This would suggest that as Black people gained access to high-cost credit, they would be at increased risk of insolvency and ultimately petitioning for bankruptcy protections.

Examining the practice of wage-earner payment plans (Section 74) in Birmingham in 1933-34, Fleming (2019) finds that Black people used Section 74 at a level lower (32%) than their proportion of the Birmingham population (38%). My descriptive analyses (Table 4.2 above), however, reveal that following the enactment of Chapter XIII, Black people became the modal users of these wage earner payment plans. Though Black people were 37% of the Birmingham population in 1950 and 46% of Chapter VII bankruptcy petitioners, 76% of Chapter XIII bankruptcy petitioners in my sample were classified as Black. However, without comparing these two samples with information on their occupational status and amount of non-exempt assets, we cannot know whether petitioners employed Chapter XIII based on their economic incentives or if it functioned as part of a system of racial discrimination.

Table 4.4: The Chapter XIII Decision in Birmingham, AL, 1939-40, 1946-50

	Model 1	Model 2	Model 3
Total Debts	0.935**	0.969	0.971
	(0.020)	(0.020)	(0.021)
Non-Exempt Assets	0.935	1.045	1.019
	(0.096)	(0.120)	(0.119)
Occupational Score	1.027	1.035*	1.038*
	(0.015)	(0.017)	(0.019)
Black		3.587***	3.151***
		(0.861)	(0.842)

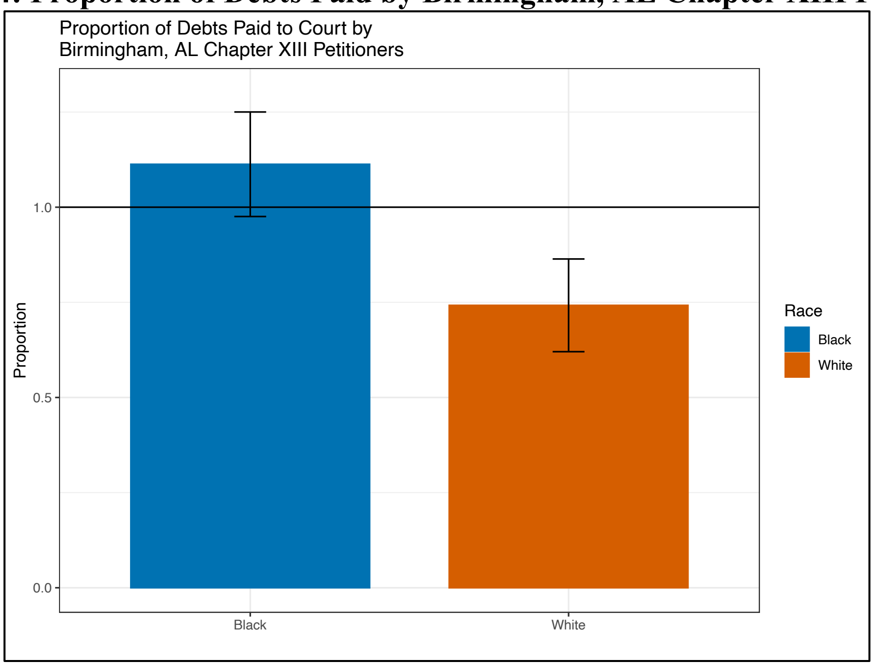
Women		0.153* (0.126)	0.256 (0.221)
Age			0.987 (0.012)
Married			0.987 (0.012)
# Household			1.151 (0.085)
Year Fixed Effect	X	X	X
Observations	529	441	365

* p<0.05, ** p<0.01, *** p<0.001 (Two-Tailed).

I conduct regression analyses to examine the factors associated with petitioning for Chapter XIII versus Chapter VII bankruptcy. Starting with economic factors alone, Model 1 shows that having more total debts is associated with being less likely to petition for Chapter XIII. This may be explicable because small proprietors often employ personal bankruptcy to reduce their debts, but would not be covered by Chapter XIII's payment system (Cover 1938:87). After adding in demographic factors in Model 2, there is evidence that Birmingham bankrupts are more likely to petition for Chapter XIII when they have higher occupational statuses. However, this estimate is relatively small. Furthermore, is having more non-exempt assets associated with petitioning for Chapter XIII. While those who had a higher ability to pay were more likely to choose Chapter XIII, protecting assets from debt collection in Chapter VII bankruptcy did not strongly shape the chapter decision (Domowitz and Sartain 1999).

By contrast, there is robust evidence that the choice to file for Chapter XIII bankruptcy is related to petitioners' racial classification. In particular, being Black triples the likelihood that a bankruptcy petitioner filed for Chapter XIII rather than Chapter VII bankruptcy. This is in alignment with both welfare (Soss et al. 2011) and critical legal research that argues that Black bankruptcy filers are directed to petition for Chapter XIII, net of their debt loads and economic conditions (Braucher et al. 2012). Finally, there is suggestive evidence from Birmingham that women were less likely to petition for Chapter XIII. These findings accord with an understanding that in the bankruptcy capital of America, filing for Chapter XIII was associated with efforts to have Black debtors pay creditors through the bankruptcy system. William Grant, is a prototypical Black Chapter XIII petitioner.[47] Married with two children, he worked as a crane fireman at a smaller iron smelting corporation. When he petitioned for bankruptcy protections in late 1939, he reported $926 (2020 $) in unsecured debts to individuals, open accounts at groceries and other stores, and a local loan company. His only assets were $322 in wages, which he claimed as exempt. Two years later he received his final bankruptcy discharge after making $1,448 in payment to the court, or 156% of his originally reported debts.

Figure 4.4: Proportion of Debts Paid by Birmingham, AL Chapter XIII Petitioners



Given examples of high debt repayment proportions through Chapter XIII, I look at whether there were systematic differences in Black versus white Chapter XIII petitioners' experiences of the court payment system. There were no standardized payment plans under the

[47] I employ pseudonyms to describe petitioners.

1938 Bankruptcy Act. Rather, petitioners would simply propose a payment plan, which would then be accepted or rejected by creditors. Absent systematic information on Chapter XIII proposals, I simply take the proportion of money paid to the court (including filing and attorney fees) divided by the sum of debts reported on the petition and subsequent amendments. There is a significant ($t<0.00$) difference among 256 census-linked Birmingham Chapter XIII petitioners. While white Chapter XIII petitioners paid 0.74 the value of their reported debts to the court, Black Chapter XIII petitioners paid 1.11 the value of their debts. See Figure 4.4 above. There are obvious benefits to completing a Chapter XIII program and receiving a discharge (Dobbie and Song 2015; Norberg and Velkey 2006). At the same time, the routinized temporality of debt payment plans conflicts with the irregular economic lives of debtors (Storms and Verschraegen 2019). Indeed, Chapter XIII petitioners routinely filed documents requesting pauses on their payments to the court, citing issues such as illness, job losses, and divorce proceedings. This racial disparity provides further evidence that Black bankruptcy petitioners were not only directed to Chapter XIII bankruptcy at disproportionate rates, but that they were also saddled with much more aggressive payment plans than white Chapter XIII petitioners.

These analyses shed light onto the early spread of Chapter XIII's wage-earner payment plans. Following the enactment of the 1938 Bankruptcy Act, most bankruptcy petitioners continued to receive an immediate discharge through Chapter VII. Yet this choice to file for Chapter VII versus Chapter XIII was not primarily based on individual debtors' economic incentives, but rather was heavily shaped by the racial classification of bankruptcy petitioners. Chapter XIII was most commonly employed in states with high bankruptcy rates and racially diverse populations. Birmingham, Alabama data confirm that by the end of the Great Depression and post-World War II period, Black people increasingly filed for bankruptcy protections and were disproportionately shuttled to Chapter XIII.

Discussion and Conclusion:

Through analyses of where Chapter XIII became a commonly used part of the bankruptcy system, followed by petition-level examination of the bankruptcy chapter choice in the Chapter XIII capital of America, I uncover how rising numbers of “undeserving” bankruptcy petitioners shaped the spread of Chapter XIII in its first decades. Past scholarship has demonstrated that state-level Chapter XIII bankruptcy usage in post-World War II America is not explained by petitioners’ abilities to pay debts or their economic incentives to protect nonexempt assets in bankruptcy (Hansen and Hansen 2020). Other scholarship has uncovered that Black people were occasional users of early wage-earner payment plans in Birmingham, Alabama (Fleming 2019). My research fills a gap in the historical literature by showing how judicial actors successfully encouraged the use of Chapter XIII bankruptcy when non-white people began to petition for bankruptcy protections in larger numbers.

These findings deepen our understanding of the bankruptcy system in the United States. Contrary to contemporary scholarship that focuses on debtors’ incentives as a primary factor shaping the bankruptcy chapter decision (Domowitz and Sartain 1999; Morrison et al. 2020), I provide evidence that racial discrimination permeated the bankruptcy system, which led Black filers to petition for Chapter XIII bankruptcy at disproportionate rates compared to their white peers (Braucher et al. 2012; Cohen and Lawless 2012). Additionally, I integrate scholarship on the whiteness of credit (Robinson 2020; Wherry and Chakrabarti 2022) with research on welfare state “deservingness” (Fox 2012; Soss et al. 2011) and how court-ordered payment plans function as a tool of social control (Coco 2014; Patillo and Kirk 2021). I uncover how Chapter

XIII was employed to reduce creditors' losses in bankruptcy. Additionally, I find evidence that Chapter XIII bankruptcy does not simply function in a racially discriminatory manner, but also that it developed in response to concerns that too many "undeserving" insolvents were gaining immediate debt relief through bankruptcy. Bankruptcy courts shifted the relative risks of debt towards Black borrowers. Creditors, with the knowledge that the courts would help them collect debts through Chapter XIII, were able to use Black people's wages as collateral.

These findings contribute to the sociology of credit and welfare by shedding light into the neo-liberal turn in American welfare policy. Past credit scholarship has focused on the racial politics of credit market expansions (Robinson 2020) and networks of exclusion from mainstream financial institutions (Charron-Chenier and Seamster 2020; Hyman 2011). Similarly, welfare scholarship has found that while racial minorities were historically excluded from social welfare programs (Fox 2012), following their inclusion, these programs were reconfigured to discipline the "undeserving" poor into self-sufficient workers (Soss et al. 2011). Future research should explore how the bankruptcy system, alongside other public-private systems of social welfare, draw upon conceptions of "deservingness" (e.g., self-discipline) in their treatment of citizens who failed in markets. Additionally, the privatized welfare state's reliance on other private actors, such as creditors, means that the state serves as a mediator between competing private interests. When examining sites of predatory inclusion (Taylor 2019), we should be attuned to how bureaucratic, judicial, and other state actors adjudicate between competing claims to property (Coco 2014; Patillo and Kirk 2021).

This study has limitations that provide avenues for future research. First, given minimal change in states' racial compositions during the period under study, state-level analyses cannot adjust for longstanding state-level characteristics that may shape Chapter XIII. Furthermore, bankruptcy petitions in Birmingham do not contain systematic information on secured versus unsecured debts, or more fine-grained information on debtors' incomes and payment proposals. Therefore, I cannot control for all economic factors that may shape the Chapter XIII decision. Overall, these analyses are unable to causally estimate the effects of states' racial compositions and individual petitioners' racial classifications on the Chapter XIII decision. Future scholars could employ comprehensive individual-level data in order to examine how racial politics, especially as it relates to welfare, shaped the bankruptcy chapter decision, and how this varied across states and court districts (Sullivan et al. 1994). Scholarship should also examine how precisely judicial actors, such as referees and lawyers, conceived of and influenced individuals' choice of Chapter XIII in its early period.

This study sheds new light on the racialized spread and practice of Chapter XIII bankruptcy. Wealth in American society is racially stratified, and the racial wealth gap has expanded in the last forty years (Derenoncourt et al. 2022). This rising gap is partially explained by the financialization of the American economy (Krippner 2011), in which individuals rely on credit to support their needs and invest in their futures (Fligstein and Goldstein 2015). At the same time, bankruptcy is part of a liberal welfare state that allows individuals who failed in markets a second chance (Prasad 2012). This study illuminates how the bankruptcy system can be a tool of creditor of control that facilitates the predatory inclusion of Black borrowers. By shifting the relative risks of debt towards Black debtors, this contributes to the racial wealth gap through encouraging predatory lending institutions to target minority borrowers (Small et al. 2021) and shaping how they navigate their liminal position as economic citizens.

Conclusion

The reasons for these filings are very difficult to fathom in many instances, but a lot of them, in my view, deal with personal inability or lack of desire to control one's finances and with the lack of social stigma that is currently attached to bankruptcy.

Edith Jones, Joint Hearing on the Committee on the Judiciary, March 11, 1999 (2000)

In the period leading up the enactment of the 2005 Bankruptcy Abuse Prevention Consumer Protection Act (BAPCPA), a great deal of academic scholarship was oriented around whether an absence in "social stigma" was the cause of the increase in personal bankruptcy rates (Fay et al. 2002; Sullivan et al. 2006; Thorne and Anderson 2006). Judge Edith Jones, a member of the National Bankruptcy Review Commission, was a leading proponent of this hypothesis. Similar to her Gilded Age and early twentieth-century predecessors, her interpretation of bankruptcy emphasizes how it is a moral phenomenon (Fourcade and Healy 2007). What is new is an explicit recognition of bankruptcy as part of the welfare state and the necessity to rationalize the practice of bankruptcy through "means-testing" access to Chapter VII's immediate discharge. In a previous Hearing on the House Committee on the Judiciary, she argued, "Welfare, food stamps, Social Security, Disability, Medicaid—all are means tested. Bankruptcy is part of the social safety net. It ought to be means tested as well" (1999:14-6) Ultimately, BAPCPA was enacted on a bipartisan basis, with unanimous Republican support and approximately 40% support from Democratic legislators. It confirmed bankruptcy's role as a core part of America's submerged welfare state through creating a means-test to direct individuals with incomes above their state-median to Chapter XIII's payment plans (Mettler 2011; Ramsay 2017:50-62).

This dissertation has probed how these moral dimensions of bankruptcy (Mann 2002) affected the social construction of the law. Across four articles, it iterates between the practice of bankruptcy and discourse about bankruptcy from the Gilded Age through post-World War II America to examine how personal bankruptcy became a central part of the American political economy and welfare state. The Bankruptcy Act of 1898 was pushed through Congress amid longstanding debates over whether rationalizing debt collection across state lines was a necessary precondition for national business credit markets or a way to oppress the small Southern and Western farmer or tradesman. Yet by the 1920s, many wage-earners, who often had no assets to distribute to creditors, began to employ the bankruptcy law's immediate discharge provisions to find relief from overwhelming debts. This came to a political head during the Great Depression, when legislators created a court payment system (Chapter XIII) to give wage-earners the chance to pay debts to their creditors over the course of three to five years. While most subsequent bankruptcy petitioners continued to elect to receive an immediate discharge (now codified as Chapter VII), this set the foundation for restrictions on immediate discharges in BAPCPA.

Contributions:

Beyond uncovering a core element of American economic history, this research contributes to political and cultural understandings of social welfare. Existing explanations for the institutionalization of the United States personal bankruptcy law elaborates interest group (Skeel 2001) and market expansion (Hansen and Hansen 2020) explanations. Despite the insights of this scholarship, it makes assumptions about how static "pro-creditor" or "pro-debtor" ideologies shaped how policymakers' interpreted and elaborated American bankruptcy law. My research examines how the creation of rational credit markets led to a transformation in the "diagnostic struggles" over whether bankruptcy was morally "caused" by creditors or debtors (Halliday and Carruthers 2004:1150-1). In doing so, fills out a broader story about the construction of credit markets in relation to social welfare programs in the United States (Anderson 2008; Calder 2000; Hyman 2011).

In terms of the sociological literature, most research on credit has focused on the tools of its allocation (Fourcade and Healy 2013; Krippner 2017) and quality (Charron-Chenier and Seamster 2020; Small et al. 2021). There has been comparatively little attention to how states legally constructed personal credit as a free contract between formally equal parties. Furthermore, research on economic citizenship has described how the United States constructed credit markets as a key tool of social provisioning via private market exchanges in lieu of direct state support (Prasad 2012; Quinn 2019). However, scholars have overlooked how racialized and gendered discourses of market "creditworthiness" (Robinson 2020) and welfare "deservingness" (Steensland 2006) interact to shape the construction and practice of this "submerged" state (Mettler 2011).

Overall, I confirm the broad historical narratives detailed by past scholars (Hansen and Hansen 2020; Skeel 2001). I find that bankruptcy was not originally conceived to be part of America's welfare state. Rather, it was framed as a conflict between creditors and debtors. Through incorporating scholarship on blame (Tilly 2008), I show how efforts to create "fair" credit markets through Small Loan Laws (SLL) (Anderson 2008) led lawmakers to interpret resultant increases in bankruptcy rates as morally "caused" by debtors rather than creditors. This naturalized an inequitable relationship between individual borrowers and corporate lenders (Krippner 2023). My research aligns with understandings of how SLLs interact with wage garnishment laws to affect the bankruptcy rate. Yet additional data on credit extension shows how increases in bankruptcy rates in states with SLLs and easy wage garnishment was not the result of strategic filing by debtors attempting to avoid payment but rather is an outcome of lenders extending credit when they could employ wages as collateral through the wage garnishment process (Gross et al. 2019; Hansen and Hansen 2020). State actors did not simply construct markets but rather interpreted the changing creditor-debtor relationship in light of these constant struggles to shift the relative risks of debt.

By the Great Depression, discussions of bankruptcy incorporated discourses of “deservingness” similar to those used in welfare. Yet categorical discrimination by lenders in credit markets meant that most bankruptcy petitioners were white men (Olney 1998), obviating the need to exclude Mexican and Black people from bankruptcy, as in the welfare state (Fox 2012). When New Deal Era policymakers aimed to provide social relief while using credit to catalyze America’s economic recovery, they developed a voluntary Chapter XIII on an assumption of bankruptcy petitioners as “honorable” white men who would demonstrate their “deservingness” by paying their creditors out of future wages (Steensland 2006). This would give them the opportunity to regain their “creditworthiness” (Beckert 2016). Yet similar to the racialization of welfare (Soss et al. 2011), Chapter XIII also became racialized. After its creation in the 1938 Act, these “honorable” debtors failed to materialize and Black people increasingly petitioned for bankruptcy protections. As such, judicial actors who were concerned about creditors’ losses to “undeserving” Black petitioners facilitated the spread of Chapter XIII’s payment plans (Braucher et al. 2012; Patillo and Kirk 2021). This meant that the decision to file for Chapter XIII (rather than Chapter VII) was not based on petitioners’ economic incentives (Hansen and Hansen 2020; Morrison et al. 2020), but was employed to shift the relative risks of debt towards Black debtors.

Political Implications

Seventy years later, rising credit usage and declining government welfare provisioning means that Americans are at increasing risk of financial catastrophe (Hacker 2008; Krippner 2011). At the same time, BAPCPA has reduced Americans' ability to obtain a second chance through bankruptcy. My dissertation suggests that this was not simply a part of a punitive turn in America's treatment of its citizen-borrowers (Krippner 2017; Soss et al. 2011), but rather represents an instrumentally rational outcome of a century-long transformation of wages into capital (Bittmann 2021). Policy reforms, ranging from Small Loan Laws to the Equal Credit Opportunity Act, that aimed to make credit markets "fair" have resulted in rational means to evaluate "creditworthiness" that obscure the role of the creditors in a joint economic failure (Fourcade and Healy 2017; Hyman 2011). Today, access to credit is an essential feature of American economic citizenship (Prasad 2012). In turn, reliance on markets to help individuals support themselves means that racialized cultural discourses and policy tools from the welfare state are duplicated in bankruptcy. This produces compounding racial disadvantage through the bankruptcy system (Patillo and Kirk 2021).

As America fitfully considers solutions to deep poverty and pervasive economic precarity, policymakers should aim to mitigate past and continuing harms in credit markets and bankruptcy. This might include drawing on market-based solutions, such as subsidizing interest rates for a wider range of consumer loans, creating government banking institutions, and facilitating easier debt discharge in bankruptcy. Yet given the role of "fair" credit markets in individualizing failure, policymakers should attempt to construct federal welfare policies that de-link individual's life chances from their position in markets. Whether through universalized healthcare programs, increased support for children's welfare, or investments in racially disadvantaged communities, it is possible to give everyone the ability to participate as full economic citizens.

Next Steps

Moving forward, I aim to revise this dissertation with additional data and a more cohesive historical narrative. In terms of data, given the small bankruptcy petition sample sizes in Chapters 2[48] and 4[49], I intend to collect additional data from the National Archives at Kansas City. Additionally, I have obtained data that I did not fully utilize in my analyses. They include additional trade journal publications (*Credit World*, *Journal of the National Association of Referees in Bankruptcy*), processed historical text (*Corpus of Historical American English*), and transcribed bankruptcy petition data shared by Mary Eschelbach Hansen from 1898 to 1935 in North Dakota, Duluth, Minnesota, St. Louis, Missouri, and Memphis, Tennessee. In terms of the broader project, I intend to revise and publish some of these chapters as stand-alone articles in academic journals. However, my ultimate aspiration is to rewrite this dissertation as a book manuscript for publication in an academic press. Therefore, in addition to your critiques on each individual article's data, methods, and argument, I look forward to your thoughts on the most fruitful avenues to build out the historical narrative and situate these findings as a useful addition to the literature.

[48] Depending on data availability, I intend to focus on states with SLLs, including Portland, OR and Richmond, VA (easy garnishment), Newark, NJ (intermediate garnishment), and Indianapolis, IN (difficult garnishment).
[49] I intend to expand my Birmingham, AL and Kansas City, MO samples.

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Appendix A

Text Preprocessing:

I conducted Structural Topic Modeling (STM; Roberts et al. 2014) on Congressional Record speeches scraped and converted into raw text format by Gentzkow et al. (2018). This dataset includes text data linked to metadata, including legislator party, house of Congress, and Congressional Session, among others. I incorporated additional metadata, including the decade, months of recession during the Congress, the state-level bankruptcy rate, the presence of state-level laws that facilitate lenders' garnishment of debtors' wages, and the presence of a state-level Small Loan Law (SLL).

In order to prepare the data for analysis, I created two overlapping datasets (46^{th}-75^{th} Congresses and 56^{th}-75^{th} Congresses) based on the enactment of the Bankruptcy Act of 1898. I then "preprocessed" the text to reduce complexity and facilitate model training (Grimmer et al. 2021:52-8). This included lower-casing terms, removing punctuation and numbers, and removing commonly used "stopwords" from the Natural Language Processing Toolkit (NLTK) in Python (e.g., at, all, hers, an, are, we). I also remove all state and territory names (e.g., Texas, Georgia, Colorado) and legislator surnames. Terms were also lemmatized. This reduces terms to the base form found in dictionaries (e.g., program, programming, programmed → program). Finally, I removed all words that did not appear in two different documents in the corpus.

After pre-processing, the full corpus contains 2,454,795 tokens spoken by 1,323 unique speakers across 12,680 speeches. The post-enactment corpus contains 1,569,147 tokens, spoken by 986 speakers in 8,004 speeches. The unit of observation is on the speech level.

Modeling Strategy and Validation:

Despite the benefits of “unsupervised” text analyses in uncovering latent dimensions based on statistical distributions of words across speeches (Evans and Aceves 2016:28-30), researcher expertise is required to determine model parameters and interpret the model’s output and quality. I rely on the default parameters, including “spectral initialization” (Stewart et al. 2016), which ensures consistent results. As resultant topics remained identical while dramatically reducing processing time by several hours, I limited the number of model iterations to 75.

A central analytical challenge in conducting topic modeling is choosing the number of topics. While there is no way to choose the “correct” number of topics *k* (Grimmer and Stewart 2013), I rely on established measures and techniques to evaluate the models’ reliability and validity (Quinn et al. 2010:216). This involves examining the semantic “exclusivity” and “coherence” of topic models at different *k*, examining the “exclusivity” and “coherence” of individual topics given a topic solution *k*, and engaging in close reading of texts associated with given topics of interest. As these analyses are duplicated for both time periods (full dataset and post-1898 data), I examine both datasets independently to choose appropriate *k*.

Semantic coherence and exclusivity are well-validated measures used to determine an appropriate number of topics (Minmo et al. 2011; Roberts et al. 2016). Semantic coherence reflects the level of consistency within a topic. Specifically, it is a measure of the frequency in which words highly associated with a given topic co-occur in the same speeches. By contrast, semantic exclusivity is the extent to which words associated with a given topic are distinct to the topic. The creators of STM suggest that in order to determine *k*, researchers should examine the “semantic coherence-exclusivity frontier,” or the range of topics *k* where an increase in semantic exclusivity does not relate to substantial declines in semantic coherence (Roberts et al. 2014:1070).

First, I examine topic exclusivity and coherence through the STM *findingk* function. I probe the broad contour of the semantic coherence-exclusion frontier at intervals of 5 from a *k* of 5 through 100. Figure A1 represents these results graphically for the full time period (1879-1939). For this dataset, I find that exclusivity plateaus around 50 topics, though coherence continues to drop as the number of topics increases. Figure A2 visually represents the results of *findingk* for the post-enactment time period (1899-1939). Model exclusivity and coherence both plateau at around 65 topics.

In observing topic solutions for models with 50 or more topics, many individual topics appeared "junk" (i.e., they were semantically related but did not have an apparent policy, parliamentary, rhetorical meaning, or multiple topics appeared to represent the same themes). As such, I turn to Quinn et al.'s (2010) suggestion to fit models with small, medium, and large *k* and qualitatively examine whether the resultant topics make sense and capture relevant aspects of political speech (also see Wilkerson and Casas 2017). I found that topics at lower levels of *k* had higher apparent "face-validity". I then examined each solution of *k* from 10 to 30. For both time periods, this shows that topic coherence, in particular, is highly sensitive to the specific *k*. These analyses confirmed that a solution of *k* with fewer topics would be appropriate, but also reinforced that given the trade-off between coherence and exclusivity, there is no "perfect" topic solution.

Figure A.1A: Statistical Fit of Models with Different K, 1879-1939

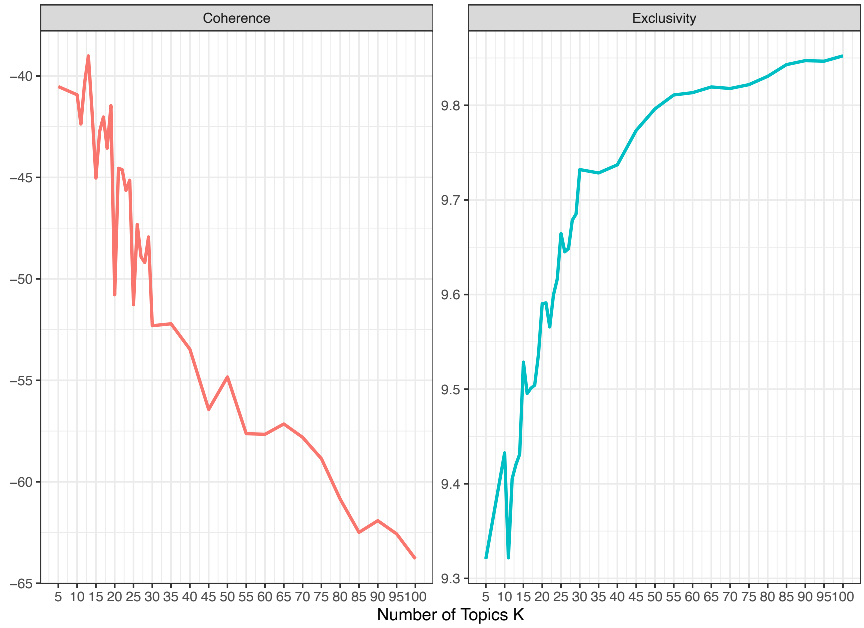
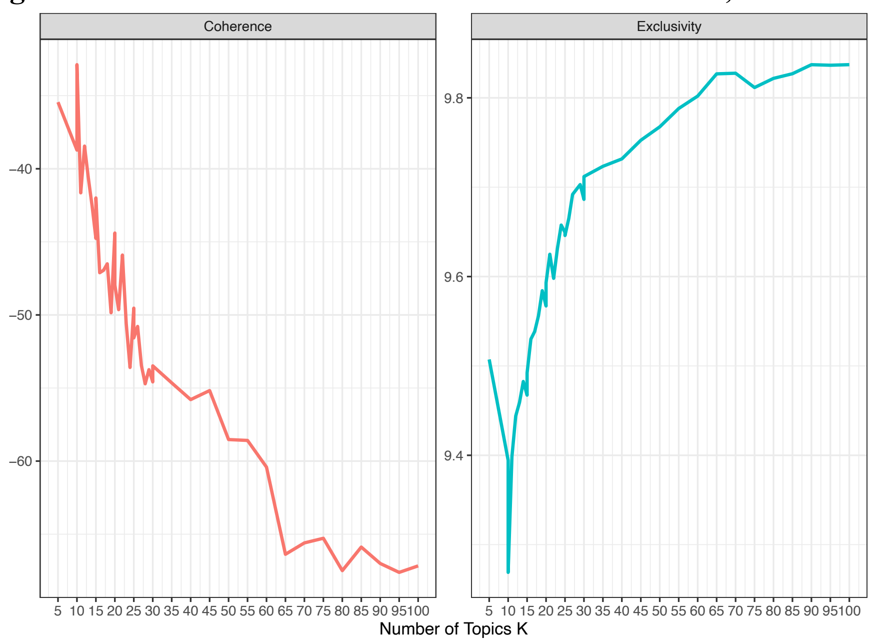


Figure A.1B: Statistical Fit of Models with Different K, 1899-1939



In turn, as part of my computational grounded theory approach (Nelson 2020), I turned to qualitative analyses. These STMs uncovered broad themes in the data, such as the larger focus on creditor-debtor conflict and the legal mechanics of bankruptcy in the full time period, and a more nuanced distinguishing between types of debtors in the post-enactment period. I began by reading speeches that were highly associated with different topics. In turn, starting with the themes derived from topic model solutions, I conducted deeper qualitative coding of legislative speeches and hearings and comparing/matching them to the speeches most strongly classified as belonging to different topics. These analyses broadly confirmed the themes apparent from the first round of STM. They also made apparent that discursive framings of creditor-debtor conflict likely declined over time, and that it was replaced by a focus on distinguishing between morally good/bad debtors apart from creditor oppression.

Despite the compromises between dimensional reduction and fit with the underlying speeches when selecting an appropriate number of topics, I chose a topic solution *k* of 24 (Coherence: -45.14; Exclusivity: 9.62) for the full time period (Model 1) and 26 (Coherence: -50.79; Exclusivity: 9.67) for the post-enactment period (Model 2). In addition to examining the particular values of coherence and exclusivity for each topic solution, I examined whether models generated unique topics that aligned with themes apparent from qualitative analyses. However, modifying the number of topics slightly produces results nearly identical to those presented in the paper. Figures B1 and B2 present Models 1 and 2 in network form (procedures described in “Graphs and Tables” below). They are grouped by the Louvain method for community detection. I also include the list of clusters, topic proportions, and most highly associated words for Model 2.

Figure A.2: Topic Network, 1879-1939 (Model 1)

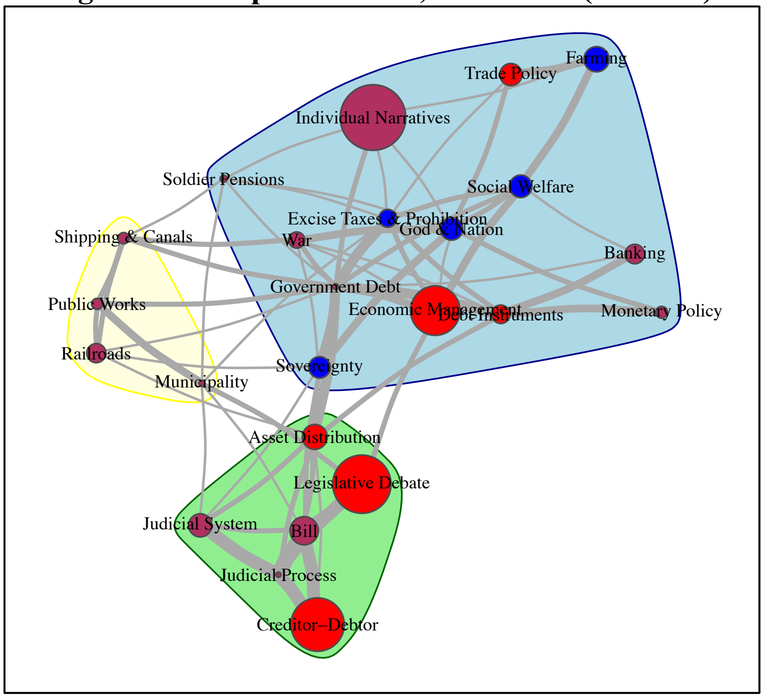


Figure A.3: Topic Network, 1899-1939 (Model 2)

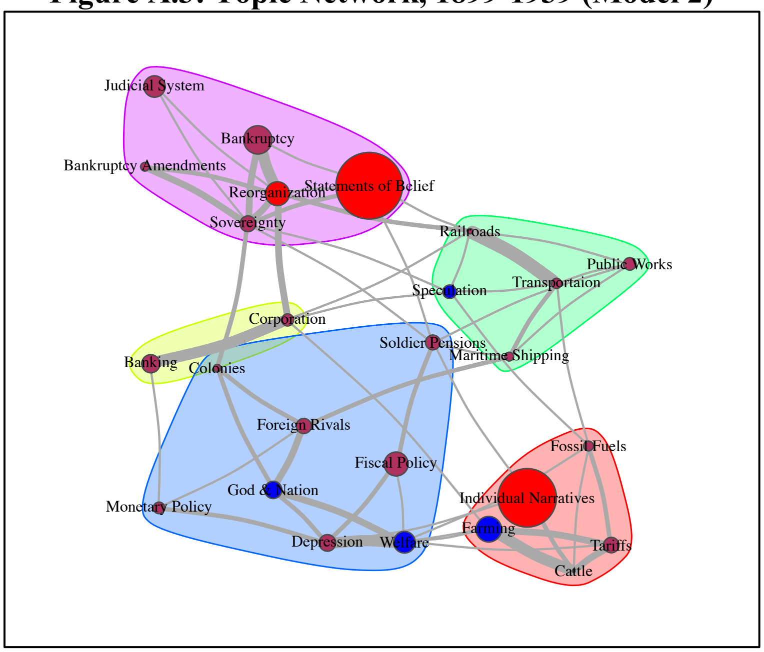


Table A.1: Topics in U.S. Congressional Record Speeches on Bankruptcy, 1899-1939 (Model 2)

	Cluster	Label	FREX Terms	Prevalence
1	Infrastructure	Railroads	railroad, ownership, haven, shortlin, railway, surcharg, eastman, recaptur, brotherhood, mediat	0.011
8		Maritime Shipping	mail, marin, vessel, ship, subsidi, shipbuild, steamship, cargo, postal, merchant	0.018

16		Transport	freight, shipper, haul, carrier, traffic, rate, rail, transport, rebat, car	0.021
19		Speculation	gambl, trust, monopoli, specul, legitim, manipul, broker, exchang, combin, tobacco	0.028
24		Public Works	reclam, dam, project, river, irrig, valley, stream, harbor, acr, leve	0.026
2	Business	Corporation	board, loan, reconstruct, insur, financ, borrow, jointstock, lend, associ, corpor	0.025
15		Banking	depositor, bank, deposit, reserv, comptrol, banker, note, nationalbank, currenc, discount	0.037
5	Foreign & Domestic Policy	Fiscal Policy	tax, incom, taxat, taxpay, revenu, deficit, budget, fiscal, levi, burden	0.049
7		Foreign Rivals	prepared, battleship, submarin, armament, naval, germani, japan, navi, disarma, german	0.031
10		God & Nation	lincoln, god, mother, love, applaus, glori, heart, inspir, manhood, father	0.036
17		Monetary Policy	gold, dollar, money, debt, valu, price, currenc, silver, pay, world	0.024
20		Soldier Pensions	pension, veteran, soldier, disabl, compens, bonus, exservic, hospit, claimant, contractor	0.030
23		Depression	roosevelt, dole, program, percent, frazierlemk, unemploy, recoveri, franklin, job, hungri	0.034
22		Colonies	philippin, rico, treati, colombia, puerto, filipino, panama, island, nicaragua, cuba	0.015
25		Welfare	social, econom, problem, worker, employ, unemploy, hour, progress, solv, oldag	0.044
3	Production	Cattle	cattl, packer, cattleman, beef, sheep, meat, cow, stockman, raiser, hog	0.005
9		Farming	cotton, farmer, wheat, farm, bushel, agricultur, bale, crop, surplus, dairi	0.053
13		Individual Narratives	get, want, talk, thing, anyth, tell, someth, man, put, gentleman	0.121
14		Fossil Fuels	coal, oil, barrel, miner, mine, bitumin, fuel, gasolin, petroleum, crude	0.020
18		Tariffs	sugar, tariff, woolen, wool, freetrad, beetsugar, beet, shingl, tomato, reciproc	0.032
4	Market Failure	Amendments	act, amend, repeal, juli, approv, prohibit, june, march, hous, bankruptci	0.018
6		Reorganization	reorgan, truste, mortgag, lien, bondhold, file, plan, apprais, section, proceed	0.049
11		Sovereignty	suprem, constitut, exercis, decis, claus, vest, law, violat, power, enforc	0.032
12		Statements of Belief	consider, view, discuss, suggest, consid, question, seem, think, believ, session	0.137
21		Judicial System	swayn, judg, impeach, bench, trial, attorney, juri, oneal, litig, ritter	0.044
26		Bankruptcy	municip, debtor, creditor, bankruptci, bankrupt, default, discharg, estat, debt, voluntari	0.058

I then examine the robustness of the topics themselves. For both Models 1 and 2, I plot each topic's semantic coherence and exclusivity. See Figures C1 and C2 below. Topics that are both highly exclusive and coherent are in the top-left corner of each figure, while low exclusivity and incoherent topics would be in the bottom right corner.

Results show that most topics are exclusive, though there is variation in topic coherence. The "God and Nation" topics in both Models 1 and 2 are low in exclusivity. This suggests that the terms most highly associated with these topics are less distinct to these topics. In terms of coherence, "Judicial Process", "Municipality", and "Shipping & Canals" in Model 1 and "Bankruptcy" and "Colonies" topics in Model 2 have coherence less than -75. To reiterate, this means that terms highly associated with each topic are less likely to co-occur in the same speeches. Examining the "Bankruptcy" topic in detail, I find that this is largely related to a decline in explicit debates over the legal mechanics of bankruptcy and a separation of discussions of "creditors" from that of "debtors." The lower coherence of the "Bankruptcy" topic captures information about how bankruptcy was discussed by legislators. Overall, the absence of low-exclusivity and incoherent topics bolster confidence that the number of topics *k* is appropriate.

Figure A.4: Topic Coherence vs. Exclusivity, 1879-1939 (Model 1)

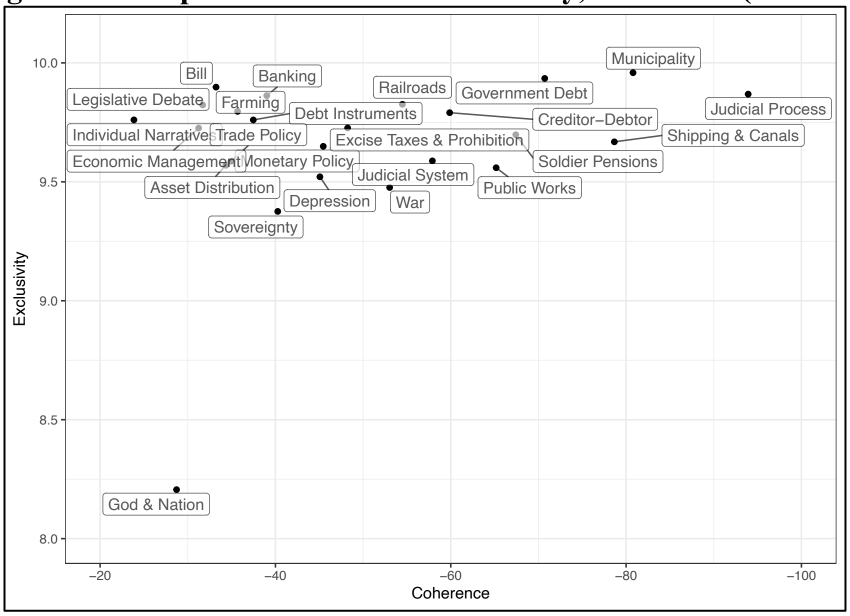
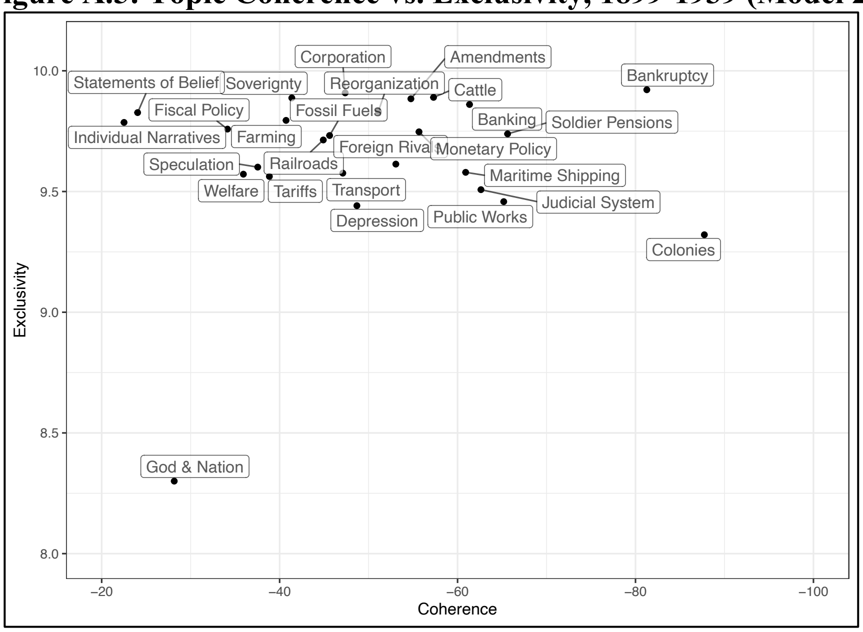


Figure A.5: Topic Coherence vs. Exclusivity, 1899-1939 (Model 2)



Finally, I conduct analyses to examine the credibility of topic model results. Quinn et al. (2010) contend that scholars should examine topics' predictive ability, which they define as topics that are systematically and expectedly related to features external to the modeling process.

While I was unable to generate clear expectations for all topics, these analyses underline that many topics relate predictably to factors such as sectional divides, regional political economies, external political threats, and economic downturns. All analyses described below contain the same covariate adjustments as in the main text (Table 3, Columns 2 & 5).

For the full time period (1879-1899), I find that the "Farmer" topic is 1.9% ($p<0.01$) more likely to be articulated by speakers from West North Central states, even as it is 1.8% ($p<0.01$) less likely to be brought up by speakers from New England and 2.5% less likely to be brought up by speaker from the Mid-Atlantic. Additionally, for each additional month of recession during a Congress, lawmakers are 0.1% ($p<0.01$) more likely to discuss the "Banking" topic, while for every 1/10,000 increase in the bankruptcy rate (0,17), lawmakers are also 0.4% more likely to discuss "Banking." I then subset the data to the 1880s and 1890s. Early scholars of bankruptcy contend that the 1898 Act was enacted due to the 1890s recession (Warren 1935). In accordance with this argument, I find that one more month of recession during a Congress (0,24) is related to a 0.4% ($p<0.01$) increase in legislators' articulation of the "Creditor-Debtor" topic. Additionally, following scholarship that highlights how "bimetallism" was heavily supported by Western farmers (Carruthers and Babb 1996:1565), I find that legislators from the Mountain West were 13% ($p<0.01$) more likely to articulate the "Monetary Policy" topic.

For the post-enactment time period (1899-1939), I again find that the "Farmer" topic is 3.1% ($p<0.01$) more likely to be articulated by speakers from West North Central states, even as it is 2.8% ($p<0.01$) less likely to be brought up by speakers from New England. In terms of time periods, legislators are 3.5% ($p<0.01$) more likely to discuss "Foreign Rivals" in the 1910s as compared to the 1900s. Additionally, for each additional month of recession during a Congress, lawmakers are 0.1% ($p<0.01$) more likely to discuss the "Banking" topic and 0.05% more likely to discuss the "Welfare" topic. For every 1/10,000 increase in the bankruptcy rate (0,17), lawmakers are also 0.5% more likely to discuss "Banking." In a final example of external credibility, the "Depression" topic dramatically increased over the first few decades of the twentieth century from 0% in the 1900s to 7.6% in the 1930s. In summary, these assessments provide credibility that the topic model results capture meaningful information about legislators' perceptions of the world.

Graphs and Tables:

Graphs 2A and 2B in the main text contain additional information on partisanship, frequency, and relationship between topics in Model 1. All topics that are associated with either Democrats or Republicans to a statistically significant ($p<0.05$) degree are shaded blue or red respectively. Otherwise, they are shaded purple. Furthermore, the size of the topic is determined by the topic's proportion of the entire discursive space. Finally, thickness of the ties between nodes and the distance between nodes relate to the value of the absolute correlation between topics. Any correlation below 0.01 was set as having no tie, with subsequent cutoffs set at 0.049, 0.099, 0.149, 0.199, 0.249. This results in 6 discrete groupings representing the strength of association between topics.

Additionally, Tables 2 and 3 (below) provide information on important covariates included in the topic models. Table 2 details when Small Loan Laws (SLL) were enacted in each state by year and by Congress (Hubachek 1941:134-6; Robinson and Nugent 1935:132-6). I also include information on states with laws that facilitated lender garnishment of debtors' wages (Nugent et al. 1936; Hansen and Hansen 2020:56). Table 3 details the states included in each region. In constructing this variable, I drew upon the U.S. Census Bureau's Regions and

Divisions (2021). As these variables are limited to states in the United States during the time period under study, I do not include Alaska or Hawaii in either variable.

Table A.2: Enactment of SLLs by Congress and Year

State	SLL Enactment (Congress)	Easy Garnishment	Year
Alabama	NA	1	NA
Arkansas	75	0	1937
Arizona	66	0	1919
California	75	0	1939
Colorado	74	1	1935
Connecticut	66	0	1919
Delaware	NA	0	NA
Florida	69	0	1925
Georgia	66	1	1920
Iowa	67	0	1921
Idaho	NA	0	NA
Illinois	65	0	1917
Indiana	65	0	1917
Kansas	NA	1	NA
Kentucky	73	1	1934
Louisiana	70	0	1928
Massachusetts	62	0	1911
Maryland	65	0	1918
Maine	65	0	1917
Michigan	67	1	1921
Minnesota	75	1	1939
Missouri	70	0	1927
Mississippi	NA	0	NA
Montana	NA	0	NA
North Carolina	NA	0	NA
North Dakota	NA	0	NA
Nebraska	NA	0	NA
New Hampshire	65	0	1917
New Jersey	64	0	1915
New Mexico	75	0	1939
Nevada	NA	0	NA
New York	72	0	1932
Ohio	63	0	1913
Oklahoma	NA	0	NA
Oregon	63	0	1913
Pennsylvania	64	0	1915
Rhode Island	68	0	1923
South Carolina	NA	0	NA

South Dakota	NA	0	NA
Tennessee	69	1	1925
Texas	NA	0	NA
Utah	65	0	1917
Virginia	67	0	1918
Vermont	75	0	1939
Washington	NA	0	NA
Wisconsin	70	0	1927
West Virginia	69	0	1925
Wyoming	NA	0	NA

Table A.3: Region (U.S. Census Bureau Regions and Divisions)

Region	**States**
New England	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
Middle Atlantic	New Jersey, New York, Pennsylvania
South Atlantic	Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia
East South Central	Alabama, Kentucky, Mississippi, Tennessee
West South Central	Arkansas, Louisiana, Oklahoma, Texas
East North Central	Indiana, Illinois, Michigan, Ohio, Wisconsin
West North Central	Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota
Mountain	Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming
Pacific	California, Oregon, Washington

Supplementary Analyses:

Analyses in the main text show that high bankruptcy rates in SLL states are associated with decreasing framings of bankruptcy as about creditor-debtor conflict. In these supplementary analyses, I examine whether similar processes relate to an increase in focus on types of personal debtors, such as farmers and workers in Model 2. I find mixed evidence to support this expectation.

For the "Farming" topic, increases in the state-level bankruptcy rate and months of recession are related to greater discussion of farmer bankruptcy, while laws that facilitate the garnishment of debtors' wages by creditors is related to a decrease in focus on farmers. I do not find support for my main expectation on the interaction between SLLs and the bankruptcy rate, however. Turning to the "Depression" topic, I find evidence to support my expectation. In states with SLLs, there is an increasing framing of bankruptcy as about "Depression" alongside increases in the bankruptcy rate. By contrast, there is less elaboration of the "Depression" topic by legislators during recessions. In sum, these results suggest that alongside rising bankruptcy rates, SLLs relate to decreased elaborations of conflictual framings of "Bankruptcy". Yet this was complemented by an increased focus on largely urban workers in the "Depression" topic. This finding does not hold for "Farming", potentially because SLLs were oriented towards aiding urban workers (Fleming 2018; Hubachek 1941).

Table A.4: Relationship Between SLL, Bankruptcy Rate and Legislator Framings of Bankruptcy

Predictor	Model 2: 1899-1939 Farming (Topic 9)			Model 2: 1899-1939 Depression (Topic 23)		
Column	1	2	3	4	5	6
SLL	-0.0100**	-0.0060	0.0081	-0.0004	-0.0110***	-0.0056
	(0.0033)	(0.0055)	(0.0067)	(0.0020)	(0.0032)	(0.0037)
Bankruptcy Rate	0.0024***	0.0029***	0.0053***	0.0009*	-0.0004	-0.0000
	(0.006)	(0.0008)	(0.0010)	(0.0003)	(0.0004)	(0.0005)
SLL*Bankruptcy		-0.0009	-0.0026*		0.0025***	0.0023***
Rate		(0.0010)	(0.0013)		(0.0006)	(0.0007)
Garnishment	-0.0178***	-0.0179***		-0.019	-0.0017	
	(0.0034)	(0.0034)		(0.0019)	(0.0020)	
Recession	0.0004*	0.0004**	0.0004*	-0.0009***	-0.0009***	-0.0008***
	(0.0002)	(0.0001)	(0.0002)	0.0001	(0.0001)	(0.0001)
State FE			X			X
Observations:	8,004	8,004	8,004	8,004	8,004	8,004

Note: Marginal effects reported; standard errors are in parentheses. All models include decade, region, party, and chamber controls.
+ p<0.10, * p<0.05, ** p<0.01, *** p<0.001

Appendix B:

Table B.1: Bankruptcy Sample by State Credit Policies, 1918-1919

	No Small Loan Law	Small Loan Law
Difficult Garnishment	California • Los Angeles (n=84) • San Francisco & Oakland (n=94) Washington • Seattle (n=106)	Maryland • Baltimore (n=80) Pennsylvania • Philadelphia (n=126) • Pittsburgh (n=103)
Intermediate Garnishment	Louisiana • New Orleans (n=27) Missouri • St. Louis (n=89) Wisconsin • Milwaukee (n=124)	Massachusetts • Boston (n=116) Ohio • Columbus (n=58)
Easy Garnishment	Colorado • Denver (n=91) Georgia • Atlanta (n=121) Michigan • Detroit (n=110) Minnesota • Minneapolis (n=104)	Illinois • Chicago (n=167)

Table B.2: Debtor Sample by State Credit Policies, 1918-1919[50]

	No Small Loan Law	Small Loan Law
Difficult Garnishment	Arkansas California • Bakersfield (n=77) • Eureka (n=76) • Los Angeles (n=202) • Sacramento (n=107) • San Francisco & Oakland (n=301) Florida • Jacksonville (n=81) Nevada North Carolina • Charlotte (n=81) • New Bern (n=75) • Winston-Salem (n=82) North Dakota South Carolina	Indiana • Brazil (n=76) • Evansville (n=106) • Fort Wayne (n=97) • Indianapolis (n=145) Maryland • Baltimore (n=195) Pennsylvania • Chambersburg (n=77) • Philadelphia (n=301) • Pittsburgh (n=254) • Scranton (n=151)

[50] Tables B.1 and B.2 report the number of observations for each city/court prior to removing observations with missing values. Observations with missing values are relatively evenly spread across sampling locations.

	• Charleston (n=100) Texas • Corsicana (n=75) • Dallas (n=75) • El Paso (n=79) • Houston (n=98) Washington • Everett (n=52) • Seattle (n=197) • Spokane (n=103)	
Intermediate Garnishment	Louisiana • New Orleans (n=147) New York • Buffalo (n=256) • Johnstown (n=78) • New York (n=518) • Syracuse (n=158) Missouri • Kansas City (n=151) • St. Louis (n=227) Wisconsin • Chippewa Falls (n=74) • Green Bay (n=75) • Milwaukee (n=198)	Massachusetts • Boston (n=407) • Fall River (n=158) • Lawrence (n=109) • Westfield (n=74) New Jersey • Dover (n=74) • Newark (n=147) • Trenton (n=100) Ohio • Cincinnati (n=249) • Cleveland (n=245) • Columbus (n=169) • Steubenville (n=74)
Easy Garnishment	Alabama • Birmingham (n=151) • Huntsville (n=81) • Mobile (n=103) Colorado • Cripple Creek (n=80) • Denver (n=154) • Pueblo (n=79) • Trinidad (n=78) Georgia • Atlanta (n=160) • Savannah (n=80) Kansas • Kansas City (n=76) Kentucky • Louisville (n=105) Michigan • Calumet (n=73) • Detroit (n=288) • Grand Rapids (n=100) Minnesota • Duluth (n=98) • Minneapolis-St. Paul (n=240)	Illinois • Chicago (n=348) • Danville (n=74) • Pana (n=75) • Rock Island & Moline (n=100) Maine • Portland (n=97) Oregon • Astoria (n=75) • Portland (n=152) Virginia • Fredericksburg (n=60) • Norfolk (n=100) • Richmond (n=153) • Roanoke (n=82)

	• Virginia (n=71) Tennessee • Knoxville (n=77) • Memphis (n=103)	
No information	Arizona • Bisbee (n=80) Connecticut • Bridgeport (n=143) Delaware • Wilmington (n=98) Idaho Iowa • Des Moines (n=102) • Davenport (n=46) Mississippi • Meridian (n=78) Montana • Butte (n=102) Nebraska • Grand Island (n=77) • Omaha (n=102) New Mexico Oklahoma • Oklahoma City (n=100) Rhode Island • Providence (n=158) South Dakota Vermont • Rutland (n=80) West Virginia • Charleston (n=103) Wyoming	New Hampshire • Manchester (n=112) Utah • Salt Lake City (n=103)

Appendix C

Abductive Method:

In order to explore how legislators conceived of bankruptcy and how these cultural schemas relate to the creation of a voluntary wage-earner payment system, I explore legislative speeches, media, and interest group publications in the decade that led to the enactment of the 1938 Bankruptcy Act (1929-1939). I chose this time period because debates over bankruptcy law recurred throughout the Great Depression. This analysis occurred as part of a computational abductive analysis (Brandt and Timmermans 2021; Karell and Freedman 2019; Timmermans and Tavory 2012) that iterated between qualitative and quantitative text methods.

Abduction occurs through taking a surprising finding in light of existing theories and then attempting to infer what may have led to the original observation. It involves making connections beyond what is observed in order to understand the new finding "as matter of course" (Peirce 1934:5.181). To summarize my research process using Peirce's syllogistic framework:

> The surprising fact of the 1930s creation of voluntary wage-earner payment plans (Ch. XIII) is observed;
> But if lawmakers thought about bankruptcy as similar to welfare, then a voluntary Ch. XIII would be a matter of course;
> Hence, there is reason to suspect that bankruptcy is conceived of as similar to welfare.

I discovered the original surprising fact through preliminary readings of legislative records. After generating my hypothesis, I followed an abductive research method and attempted to gather supporting or disconfirming evidence. I aimed to "observe" welfare frameworks in bankruptcy debates and "verify" that it stratified perceptions of different social groups in a manner similar to that of welfare discourse. The verification process, in particular, is feasible given the rapid analysis of a large corpus of legislative text through fine-grained word embedding models. In the rest of this appendix, I describe my data and analysis process in greater detail.

Qualitative Corpus and Analysis:

I conducted qualitative text analysis on a sample of different data sources that allowed for reconstruction of both the diverse perspectives on bankruptcy and the legislative concerns that related to the final bill. I focus on the period from 1929 to 1939.

Through a keyword search of "bankrupt(cy)" on HeinOnline, I collected 1,815 Congressional speeches between 1929 and 1939. These were subsequently culled to 195 speeches based on a preliminary reading that made clear that bankruptcy legislation or practice was a core topic of the speech. I omitted speeches that only drew upon the symbolic dimensions of bankruptcy (e.g., "morally bankrupt") or dealt with particular bankruptcy cases (e.g., businesses, movie stars). I also collected three Judiciary Committee Hearings on bankruptcy (1932; 1937; 1938).

In order to understand how legislative discussions of bankruptcy related to broader public discourse, I repeated this procedure for a sample of newspapers and magazines available via ProQuest. In sum, I collected 79 articles from the *New York Times* (out of 13,493), 69 articles from mainstream magazines (*The Atlantic Monthly, Harper's Monthly, Harper's Bazaar, Saturday Evening Post*) (out of 231), 20 articles from the *Atlanta Constitution* (out of 408), and 23 articles from a selection of Black Newspapers (*Baltimore Afro-American, Chicago Defender Pittsburgh Courier*) (out of 381).[51] Finally, given the role of interest groups in shaping the 1938 Bankruptcy Act, I also collected articles from relevant trade journals, including 46 (out of 131)

[51] The vast majority of newspaper articles on bankruptcy were bankruptcy notices (as required by the 1898 Act).

from *Credit World*, the magazine of the National Retail Credit Organization and 31 (out of 47) on "wage-earner" bankruptcy from the *Journal of the National Association of Referees in Bankruptcy*.

These data were analyzed using Atlas.ti. I developed and refined qualitative codes to understand the different topical focuses in the data (e.g., farmers, wage-earners, banks) and the ways in which legislators and media discussed bankruptcy (e.g., free contract, oppression, nation). I also wrote memos that helped to clarify themes and how they varied between different data sources. Memos also were also employed to outline the legislative history of bankruptcy and confirm key facts across multiple data sources (King et al. 1994).

Through qualitative readings, I discovered not only how voluntary wage-earner payment plans (Chapter XIII) were formalized as part of the 1938 Bankruptcy Act, but that this major reform was enacted absent opposition. It also became clear that a large focus in bankruptcy discourse was delineating between the "honest" and "dishonest" insolvents. This discursive focus helped me generate my hypothesis that bankruptcy was discussed using similar schemas as in welfare. I then confirmed my observation in terms of the prototypical "deserving" bankrupt (in relation to welfare recipient) across a range of different legislator speeches and media sources. I also gained additional context that economic discussions of bankruptcy, especially for farmers and wage-earners, did not employ an explicit "risk" framework, but rather discussed groups in terms of their economic productivity and potential.

Quantitative Corpus, Wordlists, and Analysis:

Word embeddings are useful in uncovering semantic patterns between theoretical and empirical dimensions of interest. Linguists have hypothesized that words gain their meaning in relation to other nearby words (Firth 1957). Building on this idea, word embeddings allow for fine-grained quantitative analysis of each word's semantic meaning in relation to other words in the corpus in a high-dimensional vector space (Mikolov et al. 2013). In these embeddings, for example, each word is associated with an array of 300 coordinates that places it in a 300-dimensional vector space. Words that are used in similar contexts to each other will be estimated as close to one another in vector space, while words that are used in different contexts will be estimated as farther away from one another. These arrays are estimated in this case through skip-gram negative sampling with a window of 5-words on each side. The algorithm iteratively estimates the probability that a word will appear, conditional on the presence of another word. This results in a map of the semantic space of words in the corpus that captures cultural schemas, or socially shared representations that function on the level of automatic ("non-declarative") cognition (Boutyline and Soter 2021:735-6).

This broad yet fine-grained map of the semantic space allows us to probe the associations of less commonly discussed topics, such as bankruptcy, that would be largely overlooked by other text analysis methods such as text networks and topic models (Evans and Aceves 2016:31-3). Empirical research has employed Word2Vec to examine cultural associations and how they shift over time. Computational social scientists have utilized Word2Vec embeddings in order to probe gender and racial stereotypes in language, as they relate to art and science (Jones et al. 2019) and occupations (Garg et al. 2018). Kozlowski et al. (2019) employ word embeddings in order to examine multiple cultural dimensions of class in the United States. Scholarship has demonstrated the applicability of word embeddings as a tool to understand shifts in cultural associations over time.

Based on the hypothesis that legislators drew upon schemas similar to that of welfare in bankruptcy discussions, the goal of word embedding analysis is to understand the latent structure of legislative speeches as it refers to bankruptcy in relation to different social and occupational groups in the United States.[52] If "deservingness" meaningfully and independently explains variation in discussions of bankruptcy apart from the "productivity" dimension and in a manner similar to that of welfare, then I take that as verification that legislators drew upon independent schemas to understand bankrupts' situations and potential for rehabilitation.

To examine this hypothesis, I conducted text analyses on all House and Senate floor speeches from the 71st through the 75th Congresses (March 1929 to March 1939). In particular, I rely on Congressional Record speeches scraped and converted into raw text format by Gentzkow et al. (2018). I subsequently "preprocessed" the text to reduce complexity and facilitate model training (Grimmer et al. 2021:52-8). This included lower-casing terms, removing punctuation and numbers, and removing commonly used "stopwords" from the Natural Language Processing Toolkit (NLTK) in Python.[53] I also removed all state and territory names and legislator surnames. Finally, I removed all words that did not appear in the corpus at least 10 times. After pre-processing, the final dataset contains 35,042 unique terms out of 35,851,921 words across 1,248,921 legislator floor speeches.

The model was estimated using the Gensim library's Word2Vec function. In particular, I rely on Skip-gram negative sampling (SGNS), which uses shallow, 2-layer neural networks to

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[52] As my interest is in how legislators discussed bankruptcy in relation to key social groups, a fully inductive approach to analyzing legislative speeches is not appropriate. An example of this would be a low-dimensional embedding, such as Principal Component Analysis (PCA) (Grimmer et al. 2021:162-70). Spiring (2012) employs PCA to explore how the U.S. federal government's treaties with Native American nations varied in "harshness." A similar analysis on legislative speeches on bankruptcy would explore the dimension(s) of bankruptcy speeches across the Great Depression Era.

[53] ourselves, hers, between, yourself, but, again, there, about, once, during, out, very, having, with, they, own, an, be, some, for, do, its, yours, such, into, of, most, itself, other, off, is, s, am, or, who, as, from, him, each, the, themselves, until, below, are, we, these, your, his, through, don, nor, me, were, her, more, himself, this, down, should, our, their, while, above, both, up, to, ours, had, she, all, no, when, at, any, before, them, same, and, been, have, in, will, on, does, yourselves, then, that, because, what, over, why, so, can, did, not, now, under, he, you, herself, has, just, where, too, only, myself, which, those, i, after, few, whom, t, being, if, theirs, my, against, a, by, doing, it, how, further, was, here, than

construct the word embeddings (Mikolov et al. 2013). SGNS is better at representing rare words than the main alternative specification (Continuous Bag of Words). Following past research, I set the number of dimensions to 300 (Kozlowski et al. 2019; Mikolov et al. 2013). As word embedding vectors are estimated based on the context in which a word appears in the corpus, I use relatively large context windows of 5 words on each side of the focal word (respecting speech boundaries). This produces a vector for each word in the corpus that places the word-vector in a fixed location in the 300-dimension vector space. As such, it is possible to measure the distance between vectors, generally through cosine similarity scores, which is the angular distance between two vectors. Words that are close to each other in vector space are those that are used in the same contexts, and can be externally validated as similar to each other.

The model is then normalized. Standardizing the length of word embedding vectors has been shown to improve performance in word relation tasks (Wilson and Schakel 2015). In order to estimate the uncertainty based on particular speeches, I repeat this process 160 times.
As the dataset is organized by speech, I sample speeches with replacement to create 160 datasets with identical numbers of speeches, but with differing numbers of terms and words (Antoniak and Minmo 2018; Nelson 2021). For example, if a word is used very infrequently across speeches, then its embedding location will vary between models, which will enlarge the resultant confidence intervals.

After creating 160 “bootstrapped” datasets, I independently estimated and normalized each dataset using the parameters discussed above. I then conduct Procrustes alignment, which is necessary to ensure that all matrices are aligned to the same semantic space (Hamilton et al. 2016). Alignment further reduces the corpus through dropping words that are only used in a few speeches. The final number of unique terms is 26,108 across all 160 models.

I subsequently created wordlists to measure the distance between different social and occupational groups and cultural dimensions. Collectively, these wordlists allow me to probe the perceptions of “deservingness” and “productivity” for a wide range of social groups, as American legislators wrestled with the parameters of bankruptcy law. There is no “theory free” way to construct wordlists for word embedding models (Kozlowski et al. 2019: 944, footnote 22). Given the absence of fully inductive ways to create word lists, past scholars have developed two main methods for compiling wordlists. For example, Kozlowski et al. (2019) employs contemporary and historical thesauri to create wordlists to capture the cultural dimensions of class, which were then validated against contemporary and historical survey data (also see: Garg et al. 2018). By contrast, Nelson (2021) creates wordlists by carefully choosing theoretically informed base words and then finding the 50 nearest neighbors of the base word in vector space via cosine similarity. The former process allows for greater theoretical precision in concept measurement, while the latter process ensures higher levels of fidelity to the linguistic choices of the speakers/writers in the corpus. In terms of limitations of each method, researcher created wordlists do not follow inductively from the embeddings data. By contrast, the nearest neighbors approach often results in wordlists that include apparently unrelated or antonymous words (Sedoc et al. 2017).

I incorporate both processes to generate cultural dimension and occupational wordlists. As my analyses began with interpretive readings of legislative speeches and media, I began by compiling synonym lists of bankruptcy and welfare, and well as any commonly noted racialized and occupational terms (e.g., farmer, wage-earner, laborer, coolie, peon) from my readings. To develop the occupations lists, I also drew upon the list of occupations from the IPMUS OCC1950 (Ruggles et al. 2019) and incorporated the occupations with the highest frequencies in the corpus (e.g., expert, professor, miner, laborer). Unfortunately, many occupations in the OCC1950 list were not in the final corpus (e.g., upholsterers, bootblacks, glaziers). This produced approximately half of each word list. I then searched for the 10 most similar words to each word in the wordlist by cosine similarity and selected additional terms that were theoretically relevant.

Once the wordlists were finalized, I averaged the word embedding vectors by adding together every pairwise combination in each word list. This resulted in a single word list vector that uniquely locates it in 300-dimensional vector space. This reduces the chance that any individual word pairing is driving the findings. Following the Nelson's (2021) procedure, I then created the cultural poles of "bankruptcy (un)deservingness" and "welfare (un)deservingness" through adding the respective vectors together. The same process was employed to create the vectors of Mexican Peon, Chinese Peon, Black Farmer, and Black Low Status Worker.

These cultural poles are employed to extract a dimension from the word embeddings, which allows for relative comparisons between the topic of interest and the cultural dimension. In the following analyses, I measure word distances using Cosine similarity. In computing the cultural poles, I first take the average of each pole and then subtract the vector of one cultural pole from the other cultural pole (e.g., $\overrightarrow{bankruptcy\ deserving} - \overrightarrow{bankruptcy\ undeserving}$). This results in a single vector (e.g., $\overrightarrow{bankruptcy\ deservingness}$) that captures the entire cultural dimension. Second, I project each individual word vector in the baseline group into the cultural dimension and measure the distance between the word vector and the cultural dimension vector. This results in an estimate of whether the word vector in the baseline group is more likely to be associated with one cultural pole or the other. Finally, results are averaged to produce the mean relative distance between the baseline wordlist and the cultural poles. This procedure is repeated for each bootstrapped sample. Results are reported graphically in relation to the cultural dimensions of interests with 95% confidence intervals.

Table C.1: Bankruptcy-Welfare Wordlists

Bankruptcy	Welfare
Arrears	Alms
Bankrupt	Assistance
Bankruptcy	Charity
Borrower	Child welfare
Borrowers	CWA
Broke	Direct relief
Debt	Dole
Debtor	Doles
Debtors	Drought relief
Debts	Emergency relief
Default	Handout
Delinquency	Handouts
Delinquent	Pension
Due	Pensions
Foreclose	Public health
Foreclosed	Public works
Foreclosing	Relief
Indebted	Social Security
Indebtedness	Social service
Insolvency	Social welfare
Insolvent	Unemployment
Liabilities	compensation
Liability	Unemployment
Mortgage	relief
Mortgaged	Wagner Lewis
Obligation	Welfare
Obligations	Work relief
Outstanding	
Owing	
Penury	
Reorganization	
Ruination	
Ruined	
Usury	

Table C.2: Productivity Wordlist

Productivity	Unproductive
Affluence	Debts
Businesslike	Default
Capitalized	Deficits
Creditable	Depreciates
Credits	Destitute
Developed	Discreditable
Efficiency	Impoverished
Efficient	Inefficiency
Enterprise	Inefficient
Gain	Insolvent
Invest	Languishing
Lucrative	Liquidation
Millionaire	Loss
Moneyed	Middle class
Productive	Penury
Profitable	Poor
Profits	Poverty
Prosperous	Prodigality
Solvent	Undeveloped
Sound	Unproductive
Successful	Unsound
Successful	Unsuccessful
Thriving	Working class
Thriving	Worthless
Valuable	
Wealthy	

Table C.3: Bankruptcy and Welfare Deservingness Wordlists

Bankruptcy Deserving	Bankruptcy Undeserving	Welfare Deserving	Welfare Undeserving
Absolve	Accountable	Deserved	Dishonorable

Absolved	Blame	Deserving	Disreputable
Acquit	Blamed	Desirable	Guilty
Amnesty	Corruptly	Distressed	Ignoble
Cataclysmic	Culpable	Frugal	Indolent
Deserved	Defalcation	Guiltless	Lazy
Deserving	Dishonesty	Hardworking	Loafers
Desirable	Dishonorable	Industrious	Shiftless
Dislocation	Disreputable	Merited	Spendthrift
Distressed	Guilt	Meritorious	Undeserved
Exonerate	Guilty	Needy	Undeserving
Forgive	Guilty	Noble	Undesirable
Forgiven	Ignoble	Well-Earned	Unearned
Forgiveness	Illegality	Worthy	Unholy
Frugal	Inefficiently		Unmerited
Guiltless	Malfeasance		Unmeritorious
Instability	Punish		Unworthy
Misfortune	Punishment		
Needy	Rascality		
Noble	Spendthrift		
Pardoned	Undeserved		
Pardons	Undeserving		
Redemption	Undesirable		
Renew	Unrighteous		
Structure	Unwisely		
System	Unworthy		
Unanticipated	Wantonly		
Unpredictable			
Worthy			

Table C.4: Occupational Group Wordlists

Business	**Farmer**	**Working Class**	**Middle Class**	**Gambler**
Business	Agriculturalist	Accountant[mc]	Actor[ent]	Charlatan
Businessman	Cattleman	Apprentice[man]	Administrator[pol]	Counterfeits
Bank[fin]	Cropper[cro]	Artisan[man]	Architect[eng]	Gambler
Banker[fin]	Croppers[cro]	Attendant[ls]	Artist[ent]	Manipulator
Businessmen	Farmer[far]	Baker[ser]	Athlete[ent]	Scalper
Capitalist	Farmers[far]	Blacksmith[man]	Attorney[pol]	Speculator
Capitalists	Homesteader[far]	Bookkeeper[mc]	Chemist[sci]	
Corporate	Landlord[pl]	Bricklayer[man]	Comic[ent]	
Corporation	Landlords[p]	Cashiers[ser]	Composer[ent]	
Director	Landowner[pl]	Chauffeur[ser]	Consultant[pol]	
Employer	Plantation[pl]	Clerical[mc]	Dentist[med]	
Employers	Plantations[pl]	Conductor[ser]	Designer[eng]	
Enterprise	Planter[pl]	Craftsmen[man]	Doctor[med]	
Financier[fin]	Settler[far]	Engineman[man]	Draftsman[eng]	
Firms	Sharecropper[cro]	Fireman[pf]	Economist[sci]	

Industrialist[ind]	Sharecroppers[cro]	Foreman[mc]	Educator[edu]	
Industrialists[ind]	Ranchman	Gardener[ls]	Engineer[eng]	
Industry[ind]	Tenant[cro]	Guard[ls]	Expert[pol]	
Investor[fin]	Tenants[cro]	Janitor[ls]	Instructor[edu]	
Jobber[tr]		Laborer	Inventor[sci]	
Manager		Mechanic[man]	Journalist[pol]	
Manufacturer[ind]		Mechanist[man]	Judge[pol]	
Monopolist[ind]		Messenger[ls]	Lawyer[pol]	
Trader[tr]		Miner[man]	Librarian[edu]	
		Operator[man]	Mathematician[sci]	
		Orderlies[ls]	Nurse[med]	
		Overseer[mc]	Photographer[ent]	
		Painter[man]	Physician[med]	
		Plumber[ser]	Player[ent]	
		Policeman[pf]	Professor[sci]	
		Sales[ser]	Publicist[pol]	
		Stockman[ls]	Scholar[sci]	
		Supervisor[mc]	School teacher[edu]	
		Tailor[ser]	Scientist[sci]	
		Typist[mc]	Singer[ent]	
		Waiter[ser]	Statistician[sci]	
		Watchman[ls]	Surgeon[med]	
		Worker	Teacher[edu]	
		Workingman	Technician[eng]	

Subsidiary wordlists: fin (financier), ind (industry), tr (trader), pl (plantation), far (farmer), cro (cropper), mc (manager and clerical), man (manufacturing), ls (low-skill), ser (service), pf (police-firefighter), ent (entertainer), sci (scientist), edu (educator), med (medical), pol (policy and law), eng (engineer)

Table C.5: Peon, Soldier, Women Wordlists

Peon	**Soldier**	**Low Status Women**
Coolie	Soldier	Charwoman
Coolies	Soldiers	Cook
Peon	Veteran	Housekeeper
Peons	Veterans	Maids
		Washerwoman

Table C.6: People of Color Wordlists

Black	**Mexican**	**Chinese**
Blacks	Mexican	Chinese
Colored	Mexicans	Chinamen
Negro		Chinaman
Negroes		Oriental
		Orientals

As part of an abductive research process, quantitative text analyses of a large corpus of legislative speeches allows me to confirm expectations generated through interpretive readings. Word embedding analyses build upon qualitative text analyses to verify that schemas of "deservingness" meaningfully explain variation in bankruptcy discourse and that it functions similarly to that as in discussions of welfare. I also am able to confirm that this dimension functions independently of discussions of economic "productivity."

Appendix D:

Census Linkage:

Table D.1: Matched vs. Unmatched Birmingham, Alabama Bankruptcy Petitions

	Matched	Unmatched	t
Total Debt (2020 $)	4,732	4,836	0.11
	(330)	(1,100)	
Property	0.03	0.05	1.06
	(0.01)	(0.03)	
Non-Exempt	977	228	-0.66
Assets	(452)	(155)	
Total Assets	996	1,122	0.35
	(138)	(303)	
Occscore	24.52	23.03	-1.67
	(0.33)	(0.46)	

Table D.1 compares the debts, non-exempt assets, total assets (all converted to 2020 $), property (0/1), and occscore of matched versus unmatched Birmingham, Alabama bankruptcy petitions. All show no statistically significant difference between these two groups. Since my variable of interest is petitioners' racial classifications and its association with their bankruptcy chapter choice, it is beneficial that there are no observable systematic differences between the matched versus unmatched group that might also correlate with racial classification. I was able to match a greater proportion of Chapter XIII (0.91) than Chapter VII (0.81) petitions (t<0.01).

Supplementary Analyses:

Table D.2: Kansas City, Missouri Bankruptcy Sample, 1947-50

	Census	Ch. VII	Ch. XIII
Sample Proportion		0.60	0.40
Secured Debts (2020 $)		44,968	2,333
		(371,398)	(3,233)
Unsecured Debts		41,028	8,042
		(68,980)	(5,580)
Other Debts		10,866	671
		(76,155)	(2,855)
Total Debts		94,228	10,681
		(442,524)	(6,618)
Property		0.22	0.18
		(0.42)	(0.39)
Non-Exempt Assets		27,651	724
		(111,829)	(3,563)
Total Assets		32,390	4,803
		(112,396)	(6,368)
Black	0.105	0.07	0.20
Women		0.18	0.07
Age	33.6	38.51	39.63
		(8.97)	(9.09)
Married	0.712		
Median Family Income (2020 $)	37,147	18,506	25,418
		(20,142)	(8,202)
Occscore	20.53	24.99	23.63
	(13.77)	(9.57)	(7.41)
Household Size	2.6	2.85	3.13
		(1.59)	(1.58)
Completed HS (over 25)	0.461	0.35	0.33
Industry Category			
- Agriculture	0.013	0.005	0.003
- Mining	0.002	0.146	0.116
- Construction	0.064	0.026	0.024
- Manufacturing	0.229	0.548	0.506
- Transport & Communications	0.116	0.212	0.262
- Trade	0.254	0.026	0.036
- Finance & Real Estate	0.058	0.00	0.00
- Business Services	0.083	0.293	0.034
- Personal Services	0.074	0.007	0.019

Table D.2 compares the Kansas City, Missouri bankruptcy sample to the census population. What is most relevant is that though the mean occscore in the sample is higher than that of the broader population, petitioners reported lower incomes in the past year. This suggests that the descriptive statistics from the Birmingham, Alabama sample may not be anomalous. Rather, individuals with higher occupational statuses may have been better able to gain access to credit, even as income reductions are associated with their decision to petition for bankruptcy protections.

Table D.3: Predictors of the State-Level Bankruptcy Rate, 1947-1955

	Model 1	Model 2
Proportion White	-0.07	
	(0.08)	
Months of Recession	0.05***	0.04***
	(0.01)	(0.01)
Proportion Urban	0.01	0.23
	(0.02)	(0.12)
Income / 1,000 (2020 $)	0.00	0.00
	(0.00)	(0.00)
Residential Loans / 1,000	0.00	0.00
	(0.00)	(0.00)
Unsecured Loans / 1,000	0.00	0.00
	(0.00)	(0.00)
Wage Exemption	-0.01**	
	(0.00)	
Personal Exemption	0.22*	
	(0.11)	
Household Exemption	-0.01	
	(0.00)	
State Fixed Effects		X
Observations	432	432

* $p<0.05$, ** $p<0.01$, *** $p<0.001$ (Two-Tailed).
Robust Standard Errors are clustered by state.

Finally, Table D.3 presents results for the factors associated with an increase in the state-level bankruptcy rate during the years under investigation. I find that each additional month of recession is predictive of a 0.05 increase in the bankruptcy rate. In terms of exemptions, findings are more mixed, with increased wage-exemptions associated with a decrease in the bankruptcy rate, but increased personal exemptions associated with an increase in the bankruptcy rate. Past political economic scholarship would suggest that increases in bankruptcy exemptions should lead to rises in the bankruptcy rate. However, most important for these supplementary analyses are results that show that racial demographics are not associated with the bankruptcy rate. This suggests that increases in state-level minority populations did not lead to more bankruptcies (e.g., lower quality loans, aggressive debt collection efforts towards minority borrowers). As such, the Chapter VII versus Chapter XIII decision among bankruptcy filers was probably neither disproportionately whiter or Blacker than the broader state populations.