Thomas A. Durkin, Gregory Elliehausen, Michael E. Staten, and Todd J. Zywicki, *Consumer Credit and the American Economy,* Oxford y Nueva York: Oxford University Press, 2014, xxi + 710 pp.

This book is part of the Financial Management Association's Survey and Synthesis series. Through it the authors embark on a very ambitious task in a successful way. They set out to establish a thorough framework to study and analyze consumer credit in the United States from several different fields of knowledge and taking into account all of its main players. To do so, the authors structure the book to include the historical development of consumer credit, theories of demand (even from behavioral economics) and supply of these products, technological developments for credit risk analysis and payment methods, the role of the federal and state governments in regulating this market, and other important institutions such as credit rating and debt counseling agencies.

Although *Consumer Credit and the American Economy* "is not intended specifically as a textbook" (p. xvii), it can be the starting point for anyone to begin their journey into this topic. The main argument throughout the book is that although "personal borrowing and lending likely extend at least to Neolithic times" (p.635), we still do not understand all its intricacies and, more importantly, its effects on household welfare and societal development.

The book includes the full list of titles within the Financial Management Association's Survey and Synthesis series, followed by a list of tables and figures, a preface, acknowledgements, and 14 chapters, including the introduction and conclusions. Footnotes are found at the bottom of each page where they are referenced and are separated by chapters. The average chapter is 45 pages long, making some of them longer than they would have needed to be. The full bibliography and an alphabetic index appear at the end.

Chapters 1 and 2 are the introductory chapters, setting the structure that the authors will follow and describing the historical evolution of consumer credit markets. Consumer credit grew significantly after WWII, as households were demanding more durable goods. To analyze the historical evolution of consumer credit in the US the authors rely mainly on the work of Lendol Calder (1999), Rosa-Maria Gelpi and Francois Julien-Labruyere (2000), and Martha Olney (1991), but it is worth noting other additional important contributions to this field such as the work of Louis Hyman (2011, 2012) and Jan Logemann (2012). There is evidence that at least in the last

150 years, consumer credit has seemed to be a worrying matter for the media, government, and the general public. Usually the statements tend to be quite similar: consumer credit is rising too fast, and this has been going on for too long, thus reaching unsustainable levels. Despite its continuous growth and according to the authors, consumer credit has yet to be a catalyst of a financial crisis or have a significant effect on households' financial burden.

After describing the participants in the US consumer credit market and its historical evolution, the authors turn to the analysis of the demand (chapter 3, and chapter 4 including behavioral economics) and the supply (chapter 5) of consumer credit. Using the work of Edwin Seligman (1927), and further developments by Thomas Juster and Robert Shay (1964), they describe the decision-making process that households follow to determine the demand for consumer credit. Contributions by George Katona (1975), to behavioral economics and experimental economics, enable the authors to argue that average consumers do not usually make complex calculations, such as those required to maximize an inter-temporal utility function, but instead use Heuristics (rules of thumb) to simplify those calculations in the decision-making process. In my view, chapter 4 could have given greater attention and detail to research specifically on consumer credit rather than on the more general subject of behavioral economics. To understand the decision-making process of financial intermediaries, the authors present a default risk model of credit supply based on work by Dwight Jaffe and Franco Modigliani (1969) to explain credit rationing. There is evidence that the existence of different kinds of institutions is not redundant. Different financial intermediaries maximize their profits in different ways and to do so tend to cover different segments of the population.

After these core chapters, the book moves on towards additional topics concerning consumer credit. Credit reporting (chapter 6) appeared in the US as the result of voluntary cooperation among retailers, who were the main providers of consumer credit in the US during the late 19th and early 20th century. The Fair Credit Reporting Act of 1970 (amended in 1996 and 2003) was introduced to standardize credit reports and to improve consumer rights and accuracy of reports. Chapter 7 analyzes in detail the birth, evolution, and growth of the credit card market in the US. Historically, credit cards first appeared as a means of payment and credit facility in some retail stores. Nowadays credit cards are the most common consumer credit product.

Chapter 8 tackles one of the most vivid debates around consumer credit today, namely whether these products should be available for poor households and/or individuals facing financial distress. The debate covers issues of welfare, effects of consumer credit and inequality, and financial inclusion/exclusion. Although high-cost credit products like pawnbroker loans, payday lending, and illegal loans have been around for centuries, we are still not sure of their effects on different measures of household welfare. What the authors argue is that there is some evidence that lack of access to these products might be more damaging than excessive use of them.

Chapters 9 to 11 look at the evolution of regulation around consumer credit. Regulation around the granting and recovery of credit by individuals is recorded in documents as old as the ancient laws of Babylon, Greece, and Rome. Regulation of consumer credit in the US was particularly important after WWII and during the Korean War. Federal consumer protection began with the passage of the Consumer Credit Protection Act (CCPA) in May 1968. State regulation of consumer credit has mainly focused on interest rate ceilings. Based on work by Sidney Homer and Richard Sylla (1996) and others, the authors review the origins and development of interest rates since the Hammurabi code in Babylon until recent times in the USA.

The last two chapters of the book look at debt protection and automobile leasing, as complements and supplements of consumer credit and bankruptcy and credit counseling for troubled consumers. The main conclusion from the debt insurance sub-section is that people in the US seem to find consumer credit insurance valuable. With regard to automobile leasing, people should prefer this to automobile loans when the former is cheaper than the latter. Nonetheless, the information required to make an informed decision is costly and not perfect, as it depends on future states of nature. Traditionally, rules regulating bankruptcy have tended to favor the creditor. Only until recently bankruptcy laws have turned to protect and favor distressed debtors. The 1978 Federal Bankruptcy Code allows individuals to file for bankruptcy under chapter 7 or chapter 13. Debt counseling is an alternative to filing for bankruptcy. Its origins can be traced to the first part of the 20th century when distressed debtors went to debt poolers for assistance. Debt counseling is usually accompanied by financial education. Studies regarding all these issues have been numerous but there still seems to be a lack of consensus on what are the effects of regulation on bankruptcy filing and of counseling on improved financial behavior by households.

Consumer Credit and the American Economy adds to the effort to bring our understanding of consumer credit markets up to date. The fact that the authors avoid the use of technical jargon and complicated mathematics makes the book accessible reading for a wide audience. All the subjects reviewed throughout the book are quite relevant to the study of consumer credit. Some of the chapters are longer than necessary and repetitive, making the book less dynamic than it could have been. The absence of references to previous books that have attempted to bring together all the important elements of consumer credit is notable, like the work of Steven Finlay (2009). Consumer credit is still one of the most intriguing topics and we do not fully understand it, even though it has been an important part of almost everybody's life throughout human history. Indeed, we can yet improve our understanding of consumer credit products. It is also very important to extend this analysis to other geographical regions, as is currently the case, to test whether these theoretical models can account for the diverse dynamics of consumer credit markets across the globe. This is without a doubt a great place to begin this journey.

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