



THREE  
NEW  
BOOKS  
FROM  
THE

# POVERTY PRESS

here is a publishing phenomenon in the country—authors who crank out studies and reports on how low-income Americans live. Some books take the large view, looking at life in general; others focus on particular aspects of lives lived at the lower socio-economic levels, such as schools, inner city housing, nutrition, health care or family life. These works generally decry the plight of their subjects and call on the powers that be to tax the rich more, give the money to the poor and make it better. They make this plea even though life as a poor person in this country has more ease, comfort, safety and creature comforts than life in most other places in the world.

A R E V I E W B Y E D W I N N I I I

**T**he goal of these works is often to shock the middle and upper classes and to goad them into, presumably, more redistributive thinking. Some books have specific messages for people or for the government, advice on how to fix some socio-economic problem and in the most strident tomes, a grand plan to do away with the existence of poor people once and for all. Some books merely chronicle the misery of a life of poverty, contrasting such a life with the lives of the books' readers. The goal, often unspoken, is to trip guilt levers and strengthen the charitable or activist impulse. Whatever the reason for such books, there is an unending flow of them. They get bought and read and speak to something in human souls, perhaps like Greek tragedies used to do. They both serve to purge the emotions. They allow the reader to exhale and mutter, "There but for the grace of God, go I."

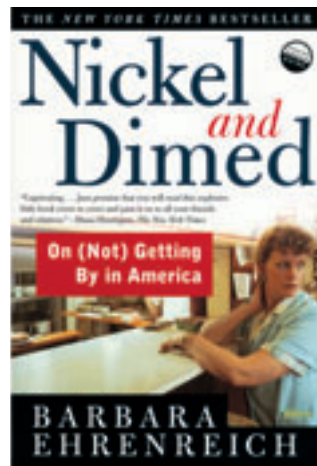
The poverty press is, of necessity, of interest to rental dealers because their business is often highlighted in the pages of such works as an example, usually among many others, of how the poor are made to pay more. Dealers may also glean insights into how a portion of the RTO customer base thinks and behaves. Most of the output from the poverty press is either shrill and sanctimonious or academic and unreadable.

There are, however, three new books from this nook of the publishing world worth noting because a couple of them have been best sellers: *Nickel and Dimed: On (Not) Getting By in America*, by Barbara Ehrenreich, Holt and Co., 2001; *Taming the Sharks: Towards a Cure for the High-Cost Credit Market*, by Christopher Peterson, University of Akron Press, 2004; and *The Working Poor: Invisible in America*, by David Shipler, Alfred A. Knopf, 2004

### *Nickel and Dimed: On (Not) Getting By in America*

**O**f the three, the Ehrenreich book is perhaps the best known, although it is also the least insightful and most polemic. Ehrenreich is a best-selling author and hers is an easy read. The book is a first-person chronicle of the author's few months of "slumming" as it were. She left her comfortable life as a writer of left-wing books and articles and took a series of low-paying jobs, incognito, first in Key West, then in Maine and then in Minnesota. She recounts her experiences, emoting what it felt like to work in those jobs as a waitress, house cleaner, dietary aide in a nursing home and Wal-Mart associate. She writes of her fellow employees that she met along the way and their various plights and hers, with making ends meet at the low end of the economic spectrum. She has unkind words for all of the bosses and managers, as well as drug tests, personality tests and all of the other accoutrements of the job application process.

The good news is that



she does not single out industries for attack and nowhere does she mention RTO. Rather, her beef is with management in the large sense, which consistently and intentionally underpays labor to such an extent, in her view, that workers cannot make ends meet and that ought not be the case in a country as wealthy, overall, as this one.

She shows great sympathy for her co-workers, whom she abandons without further thought every few weeks, but she is continually astonished that they don't daily take up arms against the system, which she indicates she would certainly do if this was how she really had to live.

She reached the following conclusion after a couple of months in the trenches: "You don't need a degree in economics to see that wages are too low and rents too high." She abruptly left the "low-income" life to write her book about her experiences fully persuaded that all employers resist wage increases with every trick at their disposal and also persuaded that the poor cannot make it in America, despite the fact that they do.

Her experiences demonstrated to her that the rich and even the middle classes are isolated from the poor. They live in different neighborhoods, they shop in different stores and they send their children to different schools. The goal of the book is more than merely to trigger guilt among the non-poor. Ehrenreich wants to shame all those who she sees as living on the backs of the poor without realizing it. She offers no real recommendations for changing things, assuming that the unveiling of the precarious lives led by low-income workers will spur others into action. For rental dealers, her reporting on her experiences with the job application process and how applicants react may help them reexamine their own application processes to make them less intimidating, more likely to result in an upgrade to the workforce.

### *Taming the Sharks: Towards a Cure for the High-Cost Credit Market*

**T**he least readable and the most academic in approach is the Peterson book. In contrast to Ehrenreich, this book offers specific recommendations for making the world a better place. This book also discusses RTO in some detail, although it reaches back to allegations made 10 years ago to score points against the industry. Peterson does insist that RTO be included among his definition of "high-cost credit" and that the RTO industry be made subject to the credit reforms that he proffers.

Peterson is a law professor and his thesis is that the high



country has dealt with tobacco use, another societal illness in his view. Contributing to the malaise are payday lenders, pawnshops, tax refund loans, rental-purchase companies, tote-the-note car lots, mobile home dealers and sub-prime mortgage lenders, each of which gets analyzed and condemned in this book.

Peterson offers a worldwide historical review of how societies have dealt with the extension of credit to consumers—as opposed to commercial lending—from pre-Biblical times, including an analysis of Babylonian, Roman and Chinese laws relating to debt. He categorizes the different social attitudes that have arisen toward consumer credit over time. The historical analysis is fairly balanced, although Peterson does have a point of view and it shows. His opinion is that "the American culture has become one of reckless borrowing" over the past 40 to 60 years and the ramifications of such behavior are deleterious and far-reaching. During his historical review, Peterson identifies the 1920s as the turning point in America, "when the culture of thrift and rugged individualism gave way to one of consumerism and personal debt."

The author considers the advent of the Truth in Lending Act in the 1960s to have been a watershed event in this country. However, Peterson determines that the effort to provide uniform disclosures without unduly interfering with the free market was ultimately a failure, because while Truth In Lending may lay out the truth of a transaction for all to see, the disclosures fail to work as intended because consumers do not understand them.

The economic underpinnings of free market theory are only operative when knowledgeable buyers and sellers get together. When the buyer fails to understand the transaction, the economics are flawed, according to Peterson. He gives anecdotal evidence that consumers either do not or cannot understand current credit disclosures in a variety of contexts. Peterson veers off into psychology and behavioral economics when analyzing the current high-cost credit market in the United States and why it has grown so over the past 30 years.

Readers will have to assimilate Benthamite utilitarian

rates of interest paid by the working poor have a high social cost, not only on the borrower, but also on the borrower's family, neighborhood, community and, finally, society as a whole. He analogizes the prevalence of high-cost credit today to an illness in the country and seeks solutions by examining the issues of informed consent in medicine and how the

preference theory and positive and negative Pigouvian externalities when learning why it is that consumers take out payday loans at 400 percent to 800 percent interest when, according to Peterson, they clearly should not do so.

Peterson does attempt to remove morality from the analysis, even though, "for millennia, human civilizations have produced both social norms and laws construing high-cost consumer borrowing as morally degenerate." Peterson notes also that "[i]n the early American consciousness, consumer credit was inextricably associated with poverty, untrustworthiness and the path to moral decay."

It does no good, he argues, to maintain that high-cost creditors are bad, unscrupulous people or that high-cost debtors are undisciplined or lazy. If the debate over what to do remains on the moral plain, no progress can be made, with each side pointing fingers at the other, crying "foul" or "shame."

He argues that instead of moral finger pointing, the debate and new research and policy decisions should be about the personal financial risk of using high-cost credit. He explains that early on there was a moral argument against tobacco use, which ultimately failed. It was not until empirical evidence was adduced about the health risks of smoking that the anti-tobacco forces began to make real progress.

Peterson acknowledges that the policies underlying Truth In Lending were sound, but that the implementa-

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tion of disclosing credit information needs updating. He wants credit tiered by the government, so that the low-cost credit is everything under 6 percentage points above the yield on comparable term Treasury notes, middle-cost credit is everything under 12 percent annual percentage rate and high-cost credit, "including rent-to-own transactions," is everything over 24 percent APR. The higher the cost for the credit, the more disclosures and other safeguards for consumers. Peterson does not suggest that any current credit offerings be banned or even curtailed.

He insists that "any borrower can borrow any loan at any price" under his plan. He does want consumers to have to jump through a lot of procedural hoops, however, including passing a test to show an understanding of the

transaction, before entering into a high-cost credit transaction. He wants strongly worded financial warning labels on high-cost loans not unlike those devised for cigarette packaging. He comes up with six concrete proposals in all, which, if implemented, would add a level of federal oversight over consumer lending heretofore unknown. He does not discuss the cost of such a bureaucratic burden, but one can assume that Peterson deems it less than the current social cost of high-cost credit to the country.

As an academic piece aimed at the popular market, the book is thorough, well documented and often carefully argued. The book ultimately fails by exaggerating the ills of the current system and then by attempting to create grandiose and impractical forms of government intervention. It is unlikely that Congress will undertake implementation of the proposals suggested by Peterson. The Federal Reserve Board does not want to start e-mailing and then grading exams for every consumer who wants to borrow money at a rate more than 24 percent.

Some of Peterson's suggestions, however, are the kinds of initiatives that a progressive state legislature might consider. Rental dealers would not want to be lumped in with all of the consumer financial service sectors against whom Peterson rails and, in that sense, the RTO debate will not change based on anything in this book. If state governments or the federal government start considering radical amendments to the credit laws in this country, some of Peterson's ideas may have purchase with policy makers. For this reason, it will be useful for rental dealers to be conversant with the suggestions Peterson puts forth.

### *The Working Poor: Invisible in America*

The third book, by David Shipler, is the best written of the three. Shipler won a Pulitzer Prize for his book, *Arab and Jew*, and is a gifted literary artist. Shipler's vision is the broadest as he examines every facet of life among low-income Americans. He tackles schools, migrant workers, medical care, childcare, welfare, taxes, parenting, immigration, the textile industry, housing projects, child abuse and teeth.

Teeth loom surprisingly large in the Shipler book. He maintains that dental care is an expense most often deferred by low-income Americans because it can be, which in turn leads to tooth decay and, finally, bad teeth. Bad teeth lead to embarrassment and are an impediment to a good self-image, which in turn leads to bad performance and self-consciousness during job interviews. Bad teeth, then, tend to keep low

wage earners from rising to such an extent that Shipler postulates that bad teeth have become an indicator of a certain low-income lifestyle.

The Shipler book is full of real people, skillfully drawn, bad teeth and all. He recounts tales of tragedy, mostly. There is little triumph in this book. The difficulties that befall the people in this book are not always the fault of employers or landlords or the government or the system as they are in the Ehrenreich book. Many injuries among the poor are self-inflicted and painful to read about, especially in the hands of a good writer:

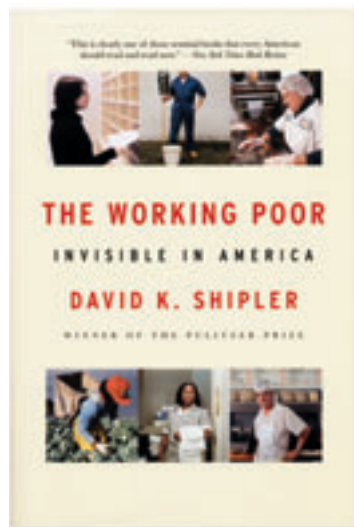
"The villains are not just exploitative employers, but also incapable employees, not just overworked teachers, but also defeated and unruly pupils, not just bureaucrats who cheat the poor, but also the poor who cheat themselves. The troubles run strongly along both macro and micro levels, as systemic problems in the structure of political and economic power and as individual problems in personal and family life."

Shipler brings into sharp contrast the American myth that anyone "from the humblest origins can climb to well-being" and the American anti-myth, which "holds society largely responsible for the individual's poverty." Shipler, by telling in deft detail the stories of real people he met and interviewed, explains how real life is neither myth nor anti-myth, but is lived somewhere in between. "Each person [in the book] is the mixed product of bad choices, bad fortune, of roads not taken and roads cut off by the accident of birth or circumstance." Among books published by the poverty press, it is rare to find one so balanced, so nuanced and so gracefully written, which is what makes this book a standout among works in this genre.

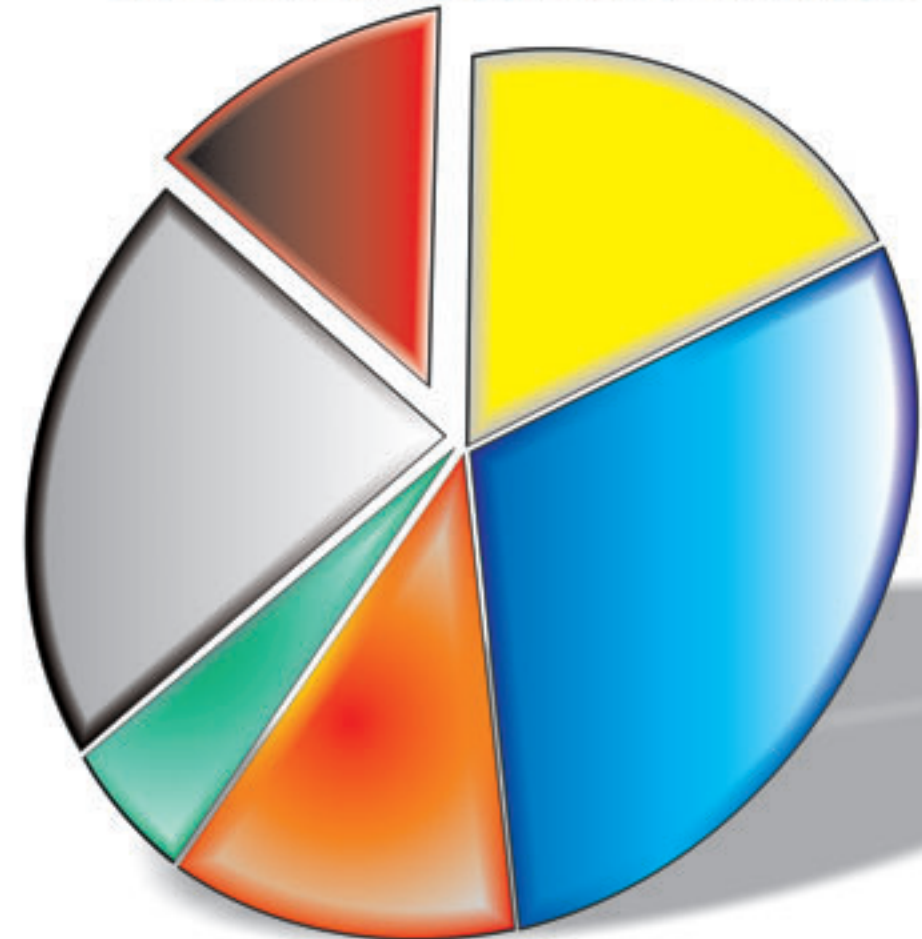
The goal of Shipler seems more to make visible what he thinks is invisible, how the working poor live, rather than to offer up social policy to correct the ills that he sees. The picture he unveils is a complex one. To make life better for the working poor would require the will, effort and resources of everyone: government, business and, not the least, the poor themselves.

Middle-class Americans will be shocked when they read this book, rental dealers perhaps less so. Rental dealers already know a great deal about how the working poor live. Some, even many, are rental customers. Rental dealers hear their sad stories every day, but the Shipler book occasionally cuts deeper than the idle chat in the store on Friday afternoon or even than the lessons learned while collecting on hard accounts. The chapter about child abuse in families is especially poignant. Shipler's is an accurate eye, often a piercing one. Dealers may not rent more TVs for having read the Shipler book. They will, however, think harder about their business and about their customers. They might even work harder. They will almost certainly know that they have spent time with a talented writer and will leave with a better understanding of and appreciation for their lot in life. ■

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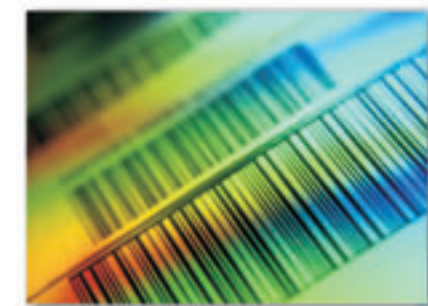
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