OP-ED COLUMNIST

The Culture of Debt

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On the front page of Sunday's Times, Gretchen Morgenson described Diane McLeod's spiral into indebtedness, and now a debate has erupted over who is to blame.


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Some people emphasize the predatory lenders who seduced her with too-good-to-be-true credit lines and incomprehensible mortgage offers. Here was a single mother made vulnerable by health problems and divorce. Working two jobs and stressed, she found herself barraged by credit card companies offering easy access to money. Mortgage lenders offered her credit on the basis of the supposedly rising value of her house. These lenders had little interest in whether she could pay off her loans. They made most of their money via initial lending fees and then sold off the loans to third parties.

In short, these predatory companies swooped down on a vulnerable woman, took what they could and left her careening toward bankruptcy.

Other people emphasize McLeod's own responsibility. She is the one who took the credit card offers knowing that debt is a promise that has to be kept. After her divorce, she went on a shopping spree to make herself feel better. After surgery, she sat at home watching the home shopping channels, charging thousands more.

Free societies depend on individual choice and responsibility, those in this camp argue. People have to be held accountable for their indulgences or there is no justice. As McLeod herself admirably told Morgenson: "I regret not dealing with my emotions instead of just shopping."

If you go to the online comment section affixed to Morgenson's article, you see advocates of these two positions talking past one another, one side talking the morality of social protection and the other the morality of personal responsibility.

And yet if you look at McLeod's case, and the entire financial crisis that it stands for, there is a third position. This is the position held in overlapping ways by liberal communitarians and conservative Burkeans.

This third position begins with the notion that people are driven by the desire to earn the respect of their fellows. Individuals don't build their lives from scratch. They absorb the patterns and norms of the world around them.

Decision-making — whether it's taking out a loan or deciding whom to marry — isn't a coldly rational, self-conscious act. Instead, decision-making is a long chain of processes, most of which happen beneath the level of awareness. We absorb a way of perceiving the world from parents and neighbors. We mimic the behavior around us. Only at the end of the process is there self-conscious oversight.

According to this view, what happened to McLeod, and the nation's financial system, is part of a larger social story. America once had a culture of thrift. But over the past decades, that unspoken code has been silently eroded.

Some of the toxins were economic. Rising house prices gave people the impression that they could take on more risk. Some were cultural. We entered a period of mass luxury, in which people down the income scale expect to own designer goods. Some were moral. Schools and other institutions used to talk the language of sin and temptation to alert people to the seductions that could ruin their lives. They no longer do.

Norms changed and people began making jokes to make illicit things seem normal. Instead of condemning hyper-consumerism, they made quips about "retail therapy," or repeated the line that Morgenson noted in her article: When the going gets tough, the tough go shopping.

McLeod and the lenders were not only shaped by deteriorating norms, they helped degrade them. Despite all the subterranean social influences, there still is that final stage of decision-making when individual choice matters. Each time an avid lender struck a deal with an avid borrower, it reinforced a new definition of acceptable behavior for neighbors, family and friends. In a community, behavior sets off ripples. Every decision is a public contribution or a destructive act.

And now the reckoning has come. The turn in the market punishes many of those seduced by financial temptations. (Sometimes capitalism undermines the Puritan virtues, but sometimes it reinforces them.)

Meanwhile, social institutions are trying to re-right the norms. The government is sending some messages. The Treasury and the Fed are trying to stabilize the system while still ensuring that those who made mistakes feel the pain.

But the important shifts will be private, as people and communities learn and adopt different social standards. After the Depression, a savings mentality set in. After the dot-com bubble, a bit of sobriety hit Silicon Valley. Now it's the borrowers' and lenders' turn. As the saying goes: People don't change when they see the light. They change when they feel the heat.

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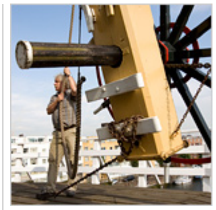

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