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Book Review: Not Broke, But Badly Bent

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NOT BROKE, BUT BADLY BENT.

Gary Rivlin, *Broke, USA: From Pawnshops to Poverty, Inc.—How the Working Poor Became Big Business*

Ellen Ruppel Shell, *Cheap: The High Cost of Discount Culture*

Barbara Ehrenreich, *Bright-Sided: How the Relentless Promotion of Positive Thinking Has Undermined America*

Charles Angell

The meltdown in the American economy has dominated the news for months and generated a shelf of books endeavoring to explain what went wrong and who was responsible. What went wrong ain’t that difficult to figure out. The country, its citizens and its government, took on a crushing load of debt, much of it based essentially on monopoly money.

In *Broke, USA* Gary Rivlin documents how banks, payday loan shops, check cashing stores, and subprime mortgage lenders enriched themselves by ensnaring working people unable to secure—or unaware that they could secure—credit from more legitimate financial institutions. (Whether these days such an entity as a ‘legitimate’ financial institution exists is a question best left unspoken.) Ellen Shell looks into the American desire to find a bargain, to find, in Wal-Mart’s slogan, “Always Low Prices—Always.” She comes perilously close to concluding à la Oscar Wilde that we Americans know the price of everything and the value of nothing. Barbara Ehrenreich’s *Bright-Sided* casts a skeptical gaze at our propensity to put on a smiley face on even the worst of circumstances, an optimism over which the recent financial meltdown has cast a fleeting shadow. Taken together the three studies define a nation many of whose citizens are woefully ignorant of how money and credit work, too easily persuaded to sign contracts they haven’t taken the time to understand, and too willing to say, when financial disaster arrives, that it was their own fault and things will work out for the best.

Rivlin uses the ‘you don’t have to criticize ’em, just quote ’em’ approach to his exposition of the poverty industry. He asks: “All these major corporations, chain franchises, and newly hatched enterprises specifically catering to the working poor—were they financial angels to the country’s great hardworking masses…or were these businesses tilling the country’s working-class neighborhoods so aggressively that they endangered the very survival of these communities?” He questions the morality of making higher profits from the working poor than from “more prosperous citizens.” The industry defends itself by pointing out that it lends money to people often referred to as the ‘unbanked’ who can’t secure credit from established (and regulated) financial institutions. One industry executive told Rivlin that “if his life were a movie, he wouldn’t be Mr. Potter in *It’s a Wonderful Life* but rather the man who protects the working stiff from the rapacious and coldhearted financier. ‘We’re the George Baileys here,’ he blurted. ‘We’re Jimmy Stewart!’” But, when Rivlin lets the poverty industry entrepreneurs talk, what one hears is Gordon Gekko’s “Greed is Good!”

Nonetheless, to take one example, it’s difficult not to like Allan Jones, a Tennessee self-made payday loan millionaire. “I created the [payday loan] industry and the rest of ’em just copied me.” Basically a payday loan is a cash advance against an anticipated paycheck. The lender then charges a fee—interest—when the borrower repays the loan, the fee ranging anywhere from $15 per $100 borrowed to as much as $33 per $100 borrowed, the rate depending on how strictly individual states regulate interest charges. Critics quickly referred to payday loans as “legal loan-sharking” and called for legislation that would require the industry to post the annual percentage rate. APRs could range from 391% in the stricter states to as much as 858% in a loosely regulated state like Indiana. Jones opened his first Check into Cash store in 1993 and managed by the end of 1994 to open seven more in Tennessee where “he collected nearly $1 million in fees” on $486,000 in overhead. Bilkling the poor brought him big profits.
Big profits also accrue to merchants who promise the consumer goods at the lowest possible price. Ellen Ruppel Shell’s *Cheap* tells us that “in the Age of Cheap we are all tourists, blindly reliant on the seller to wring out the best price from his suppliers and to reliably pass those savings on to us.” But, she tells the reader, since no consumer in the global economy understands the forces that determine prices—viz., the rise and fall of fuel prices with no apparent relation to supply and demand—we become victims of Gresham’s Law where bad money drives out good or adulterated products drive out quality products. As Shell writes “in discount nation, what once was solid, permanent, and dependable has become disposable, ephemeral, and dicey.”

Wal-Mart has provided the usual target for critics of the big box store discount marketplace. Shell raises the usual questions about “always low prices—always” and whether shopping for the discounts makes us wealthier. However, she saves her most trenchant criticism for a retailer often cited as the darling of the discount merchandisers—stylish, environmentally friendly, and progressive: IKEA. IKEA’S success has relied on its ability, first, to design for price and, second, to shift costs from seller to buyer. Where other discount retailers like Target and Wal-Mart seek out the lowest costs, IKEA tells its suppliers to design a product for sale at a stipulated price. IKEA then packages the product in a way that permits the purchaser to transport it home and undertake its assembly. IKEA’s cheap, as the reader learns, comes at a price. While, for instance, the company makes an effort to monitor its forest products suppliers, the sheer volume of wood needed for manufacturing—much of it coming from Russian, Vietnamese, and Chinese forests—makes impossible guaranteeing that all the timber has been legally harvested. Like other discount giants, IKEA takes advantage of cheap foreign labor. Shell quotes one commentator as saying “the effect of bringing into the global labor pool hundreds of millions of low-wage workers—people whose wages are held in check by both capital mobility and communist repression—is to hold down wages in democratic nations with advanced economies.”

IKEA also locates its stores in areas where real estate is cheap and taxes low. Traffic jams around the stores, especially on weekends, consume gallons of fuel. “The ‘value’ of IKEA,” Shell observes, “resides not in the shopping experience, which most agree tends toward the frustrating. Nor does it necessarily reside in the merchandise. The value resides in the manufactured ‘adventure’ of hunting down, hauling home, and using one’s own hands to cobble together a well-designed object. And the most fun by far is in the price itself.”

Americans like to believe that in finding a bargain and a good deal, they’re enjoying a positive experience. In *Bright-sided: How the Relentless Promotion of Positive Thinking Has Undermined America*, Barbara Ehrenreich undertakes to show how “positive thinking…has …entered into a kind of symbiotic relationship with American capitalism,” especially modern consumer capitalism with its insistent promotion of “the individual’s hunger for more and the firm’s imperative of growth.” Her chapter “How Positive Thinking Destroyed the Economy” documents the enormous inequality in wealth distribution in the USA and argues that Americans’ belief in opportunity and upward mobility
allows them to tolerate this inequality despite compelling evidence that virtually no one will overcome it. People see the entrepreneurial Allan Jones and the riches he’s amassed with his Check Into Cash stores but are blind to his predation on the working poor. People believe that with hard work and luck they too will beat the odds. Rather than admit that their standard of living has declined and continues to decline, people compensate by purchasing expensive TVs, home entertainment systems, SUVs, and all manner of consumer gadgets that, while they display an aura of prosperity, are all too often financed by unsecured consumer debt. And, of course, this indebtedness makes not only the Allan Joneses of the world possible but produces the conditions for the inevitable and foreseeable bubble burst.

“Corporate leaders,” Ehrenreich writes, “in the finance sector and elsewhere, had ascended into a shimmering bubble of wealth floating miles above the anxieties and cares of everyone else. Between 1965 and 2000, the ratio of CEO pay to that of a typical worker soared from 24:1 to 300:1....” The CEOs isolated from everyone else by their wealth believed themselves infallible and were as flummoxed as everyone else when the downturn hit. They quickly recovered, bonus money underwritten by the taxpayers proving a great restorative. Their employees whose employment became uncertain, whose benefits and retirement savings depreciated, and whose homes lost considerable value suddenly had to make do with a lot less. The CEOs hired positive thinkers to counsel employees to stop whining and complaining and to “work ever harder on themselves—monitoring their thoughts, adjusting their emotions, focusing more intently on their desires.” Don’t be negative and blame the company that outsourced your job for your under- or unemployment. Stay positive and see your distress and anxiety as an opportunity for reinventing your life.

Emerson wrote in his transcendental manifesto “Self-Reliance” that “Whoso would be a man, must be a nonconformist.” Ehrenreich notes that for Emerson “Transcendent Oneness does not require self-examination, self-help, or self-work. It requires self-loss.” The gurus of positive thinking have managed to reverse Emerson’s call for contrariness into transcendentalism-lite, where continual self-examination and self-improvement advance group conformity. The nonconformist, the critic, the whistleblower threaten and subvert the dominant interests. Ehrenreich’s, Rivlin’s and Shell’s monographs illustrate what happens to those critics who promote a social agenda that would level the economic playing field, would advance social justice in housing, and that would acknowledge the true environmental costs of our consumerism. The critics, treated like so many Cassandras, faced continual pressure from vested and monied interests to reduce their demands, to compromise, to cease raining on prosperity’s parade. As we now know, the critics correctly read the facts. But, why be gloomy about them? Christmas is coming.

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