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City of Debtors: A Century of Fringe Finance. *By Anne Fleming*. Cambridge, Mass.: Harvard University Press, 2018. 376 pp. Appendix, notes, index. Cloth, $45.00. ISBN: 978-0-674-97623-8.
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Reviewed by Rowena Olegario

Is access to consumer credit a route to financial independence or a path to "debt slavery"? When the credit seekers are low-wage earners, the questions become even more complicated: Is credit a better solution than charity and state aid? Anne Fleming's book reveals that the deep division of opinions about these questions among policymakers, lenders, and borrowers has clear historical roots. Fleming traces the history of "fringe lenders," a diverse set of credit providers to mostly lower-income people. She argues that laws, regulations, and court decisions fundamentally shaped the industry and put constraints on reform. The core problem was that fringe lenders were governed by varying regulatory regimes. Most states had usury laws, but they applied only to particular types of lending. Moreover, federalism—the arrangement that divides power between the federal and state governments—contributed to the patchwork nature of the regulation. Focusing on New York State is therefore an advantage, Fleming argues, because "the development of small-sum lending regulation is best observed by closely tracking one state's progress rather than bouncing around between dozens of different jurisdictions" (p. 6).

Even so, the book offers a narrative that is national in scope. It also identifies the historical patterns that have characterized fringe lending since the turn of the twentieth century: (1) lenders who sought stability and legitimacy welcomed regulation; (2) private power, such as the Russell Sage Foundation and industry associations, supplemented state action; (3) groups with very different agendas formed coalitions to push through reform; and (4) dominant ideas about the role of the state influenced what could be achieved legislatively. Another clear pattern is the way that fringe lenders eluded regulations. The book begins in early twentieth-century New York, where pawnbrokers, "salary buyers," and chattel lenders served a significant proportion of wage earners. Like most states, New York capped interest rates at

6 percent, but lenders could evade the cap by locating their headquarters in Maine, which had repealed its usury laws. In any case, the cap did not apply to goods sold on credit, and pawnbrokers were allowed to charge interest of up to 3 percent per month.

Reformers such as the Russell Sage Foundation argued that greater market competition was the best solution. Sage partnered with the (technically illegal) loan companies to argue that lending small sums was much more costly and therefore justified a higher rate of interest. Sage's model law for the states offered a 42 percent interest rate cap for small-sum lenders in exchange for the lenders agreeing to be licensed. Not all of the states reformed their usury laws, but it was a mark of the reformers' success that the chain lenders Household Finance and Beneficial Finance successfully listed on the stock exchanges.

The new laws did not solve every problem. Decisions on what various fringe lenders could and could not do remained with the courts, further contributing to the fragmented nature of governance. In the end, the small-sum lenders were overcome not by courts or activist lawyers but by two competing sources of consumer credit: commercial banks and retailers who sold on installment. The installment sellers had the advantage of not being governed by usury laws because the courts had decreed that the sale of goods on credit did not constitute a loan. Attempts to pass uniform laws similar to the ones that now regulated small-sum lenders were largely unsuccessful. When during World War II the government passed Regulation W, a sweeping measure that required installment sellers to disclose the interest they charged, some sellers began offering revolving credit, a form of lending that was not covered by Regulation W. As Louis Hyman argues in *Debtor Nation: The History of America in Red Ink* (2011), the wartime regulation helped to spread revolving credit among consumers.

New York moved to the forefront of consumer protection with the creation of a cabinet-level office headed by Persia Campbell, a tenacious public servant whose story Fleming resurrects. New York passed the first laws regulating the whole field of installment sales. Sellers, however, could still dodge the law simply by selling their contracts to a sales finance company. The Federal Trade Commission did not prohibit these actions until 1975, after the War on Poverty had initiated a federal assault on fringe lenders. Once again, entrepreneurs responded by adopting forms of lending that were not covered by the regulations, such as rent-to-own, whose contracts were technically leases, not sales. Equity lending, check cashing, and payday loans also spread because lenders succeeded in having "safe harbor" laws enacted in many states. Far from being legislated out of existence, fringe lending became big business beginning in the 1980s. Some lenders now trade on major exchanges and are allied with the nation's largest banking companies.

The book relies on court cases that shine a light on the ordinary borrowers, employers, and lawyers who took on the fringe-lending industry. But court cases bias the study toward instances of borrower delinquency and de-emphasize how most borrowers used fringe lenders successfully. Fringe lenders were stigmatized, but society did not offer anything better to low-income people. Finding the voices of successful borrowers within the historical record would give a more balanced view of an industry that troubled reformers but met the needs of people whom governments and charities would not help.

Fleming has taken a fragmented history and turned it into a compelling narrative, about not only fringe lending but also the fraught relationship that Americans have long had with consumer debt, and specifically its role in poverty alleviation. In 1999, Lendol Calder's *Financing the American Dream: A Cultural History of Consumer Credit* laid the groundwork for future histories of what was then a poorly researched subject. Fleming's book joins several excellent volumes that have appeared since: in addition to Hyman's *Debtor Nation*, readers should consult Wendy Woloson's *In Hock: Pawning in America from Independence through the Great Depression* (2010) and Josh Lauer's *Creditworthy: A History of Consumer Surveillance and Financial Identity in America* (2017). Taken together, these volumes are finally giving us a clearer history of consumer credit in all its forms.

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Dividends of Development: Securities Markets in the History of U.S. Capitalism, 1866–1922. *By Mary A. O'Sullivan*. Oxford: Oxford University Press, 2016. x + 384 pp. Figures, tables, bibliography, index. Cloth, $90.00. ISBN: 978-0-19-958444-4.

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Reviewed by Eugene N. White

Mary O'Sullivan's book offers an ambitious, new history of U.S. securities markets, based on hitherto unexploited bank archives, contemporary newspapers, and data. If you are a financial historian, Wall Streeter, or policymaker and you think that your beliefs have a sound historical