Research Report

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The support of the History Project and the Institute for New Economic Thinking (INET) made possible several research trips that were integral to the drafting of my dissertation, tentatively titled "Law, Race, and the Problem of Finance from the Age of Emancipation to the Keynesian Turn." The dissertation draws on a diverse archive of legal sources, personal and organizational papers, and religious, economic, and literary texts to consider how Americans understood the moral problems of financial entanglement in the late nineteenth and early twentieth centuries and how they used the law to address their concerns. Broadly speaking, it argues that new ideas about the self, rooted in social economics, hereditarian science, and racial historiography, helped Americans to gradually uncouple the links between indebtedness and dispossession in classical moral thought and embrace a legal architecture more tolerant of financial engagements. The project sheds light, then, on both the growth of the American financial sector, particularly the rise of consumer credit, and on the ways that narratives of natural difference mediated the advent of a more modern economic order.

Funding from the History Project and INET supported research that contributed to three different parts of the dissertation. In May and June of 2016 and January of 2017, I conducted research in the Supreme Court Records at the Illinois State Archives; the Currency Reform and Bimetallism Collection at the University of Illinois-Chicago; and the papers of several political leaders associated with movements for national financial regulation in the late nineteenth century at the Library of Congress. These records proved vital in sketching out the first two chapters of the dissertation, which deal with the regulatory order Americans assembled for governing the debt contract in the late nineteenth century. While often recalled as an era of ascendant liberalism, when the ownership of one's contingent future was understood as the defining essence of freedom, the Gilded Age in fact boasted an important and neglected latticework of state- and federal-level regulations designed to guard the unfortunate debtor from excessive exactions. These measures – a suite of statutes that included usury laws, moratory laws, and exemption laws – did not aim to stabilize the financial economy, as their twentieth-century successors would. Instead, they were premised on the view that the market was inherently unstable, identity was vexingly fluid, and only by erecting strong legal barriers between the two could freedom and the social order be preserved. The research in these collections helped to trace the construction of this forgotten regulatory regime and analyze the ways that ideas about the plasticity of familiar social hierarchies subtended meaningful interventions in nineteenth-century economic life.

In March of 2016, funding from the History Project and INET supported an additional trip to the Library of Congress, where I examined the records of the Russell Sage Foundation's campaign to reform state-level usury laws in the 1910s and 1920s. Prior to this period, restrictions on the maximum allowable interest rate that lenders could charge borrowers made most loans to individuals – as opposed to businesses – unprofitable and illegal. While usury laws were infrequently enforced, their existence amounted to a risk that many creditors were unwilling to take, stymieing the growth of an American market for consumer loans. The Russell Sage Foundation's campaign to loosen these laws and allow banks to charge up to 42 percent in interest per year on personal credit was not initiated on behalf of the banking industry. Instead, it was meant to deploy competition in order to drive out loan sharks who, in defiance of the law, often charged far more than 42 percent. My research in these papers helped to reconstruct how this reformist campaign was launched, the challenges it faced both internally and externally, and the way that progressives affiliated with the movement understood their successes and failures by the end of the 1920s. Ultimately, the chapter argues that an important part of this deregulatory campaign were arguments suggesting that usury laws were a relic of the era when moneylending was primarily a Jewish trade and that they were outdated in the present age, when banking was dominated by old-stock Americans. The effects of this argument were to dull some of the moral opposition to unfettered financial commerce and broaden the political base of Americans willing to free the market from the long-standing supervision of usury laws, leading to an explosion of consumer credit in the late 1920s and 1930s that many reformers came to see as disheartening.

Finally, in September of 2017, funding from the History Project and INET supported a research trip to the National Archives in Silver Springs, Maryland, where I examined the records of several federal agencies concerned with home financing in the 1930s. Scholars have long identified institutions like the Federal Housing Administration as complicit in the creation of the nation's racially segregated pattern of suburban development, but little work has been done on why New Deal liberals pursued economic recovery through mortgage reform and how the notions of race baked into federal finance policies related to the agency's larger mission. My research at the National Archives, which I am still processing, suggests that ideas about prediction played an important role in convincing lawmakers that the moral perils of indebtedness could be avoided by navigating the financial economy around risky objects in time and space. Race, as a signifier of traits that ostensibly endured through time, served to buttress and naturalize this predictive order. The FHA's broad refusal to insure mortgages held by Mexicans, African Americans, and other groups marked in underwriting manuals as excessively risky was not simply an ancillary effect of the agency's efforts. In key ways, it was constitutive of the FHA's promise to channel personal finance away from those people, cities, and states most vulnerable to the arbitrary swings of the marketplace and toward those investments most likely to transcend the booms-and-busts of economic time.