Prologue

When we began working on this book, our intention was to focus on the Mission Asset Fund and document what happens when financial institutions recognize the positive financial behavior of people of color. Such behavior, apparent but unacknowledged, has not helped people of color obtain loans on reasonable terms, if at all. As José Quiñonez, founder of the Mission Asset Fund, explained, "We knew that people of color and others around the globe have been using rotating savings and credit associations (ROSCAs) and engaging in other informal financial practices for a long time. We got so focused on the savings part of it that we didn't examine its credit side enough. People were reliably paying their weekly or monthly loan obligations in ways similar to how they would pay a credit card bill. Why, then, were these activities not showing up in their credit reports?"[1] By formalizing ROSCAs and informing credit reporting bureaus of on-time payments, the Mission Asset Fund has helped this population receive recognition for practices that demonstrate its reliability in financial matters.

"As we were initially designing MAF's programs, I found myself thinking back to my time at Princeton, where I learned about informal economies, the economic activity that goes on outside the regulated system," wrote Quiñonez, who earned his master's from Princeton's Woodrow Wilson School.[2] It was there that he was introduced by Alejandro Portes, a professor (now emeritus) of sociology and public affairs, to a robust literature on social capital and community development and learned about immigrants who had mobilized remittances for private consumption and public works. Quiñonez was also inspired by Hernando de Soto's writings on the enormity of unreported, unrecorded economic practices. "In the developing world," Quiñonez points out,

> lots of poor people have property, often because they were born in the same house as their parents, but many of them may not have title to their property. Without that piece of paper proving that the asset belongs to them, it is

> difficult for them to participate in the formal economy, which could otherwise open up new opportunities. For example, without proof of ownership they can't use their property as collateral for a loan to start a business. They can't bequeath their home to their children. They can't even sell it. Their asset is essentially invisible.[3]

The same holds true for credit scores and financial capability: new possibilities can be unleashed only if policymakers and private-sector actors are willing to see the indicators of value in stigmatized places and persons. At the Mission Asset Fund, Quiñonez merged Portes's and de Soto's ideas to make the invisible visible within the financial system and thus give people credit for the good things they had already done or were doing.

Had this been the entire story, it would have been enough. However, as we interviewed MAF's clients and observed the staff in action, we discovered far more. From this tale of economic empowerment, we extracted a framework for financial citizenship, experienced from the ground up. As we sketched out its details, we began to realize that financial citizenship underlies a range of discussions regarding financial inclusion and financial well-being.

The political theorist Danielle Allen has likewise challenged our understanding of equality and inclusion, but in the context of education.[4] What does political equality mean for the types of educational opportunities made available to individuals? What are the implications for individuals who co-create the very institution in which they seek inclusion? We ask similar questions about household finance. Like Allen, we have found that financial citizenship is blocked when decisions made by individuals are not viewed by the mainstream as legitimate and when they are prevented from pursuing and creatively coproducing their communities and institutions. How can individuals affirm their dignity and the dignity of others when their right to feel a sense of belonging in a particular group or to participate in financial organizations in their neighborhood goes unrecognized? And what, finally, can be done for those groups of people who continue to be treated as separate and unequal?

With these questions, we aim to change the conversation on the meaning of credit and debt in the lives of the disadvantaged. Keep in mind that the overall economy is not yet inclusive, just as our overall political system is not yet just. In this book, we shine a light on the Mission Asset Fund as an example of what the move toward justice looks like from below and to inquire about the policy changes that will be required from above. We invite our readers to accompany us on that quest.

Introduction | Separate and Unequal

Though raised in post–civil rights America, Marisol was living in a separate and unequal world. She earned a steady income and had gone to community college. Yet despite paying most of her bills on time, she was invisible; she had no credit score. Having left her boyfriend, she was looking for a place in a safe neighborhood that she could call home for herself and her daughter. This was when she first encountered landlords who ran credit checks. Some of them also demanded more than the first and last month's rent as deposit because they weren't sure whether they could trust her. Others simply said no. Was it fair that so much was expected from one to whom so little had been given?

Anticipating frustration or humiliation, credit-invisibles like Marisol sometimes opt for lower-quality housing in "undesirable" and underserved neighborhoods, where their official credit histories are far less likely to face close scrutiny. Others, finding themselves upwardly mobile despite their lack of a credit score, may decide to purchase a modest home as they pursue the American Dream. They too, however, find themselves treated unequally, often paying considerably more for the same home than someone with decent credit would pay. For an individual with a subprime credit score, a mortgage debt of $100,000, for example, can easily amount to an extra $70,000 over the life of the loan, leaving that much less to invest in a 401(k) retirement account or college fund or as a startup fund for a business.[1] It might seem fair to charge people according to the risk they pose and their chances of defaulting. But what if such an assessment is based on flawed information? What if the behaviors indicating that these individuals can pay on time and in fact are a relatively low risk for defaulting are simply ones that the credit reporting bureaus are not tracking? In other words, why should consumers have debilitating credit scores that do not reflect their actual behavior and potential actions?

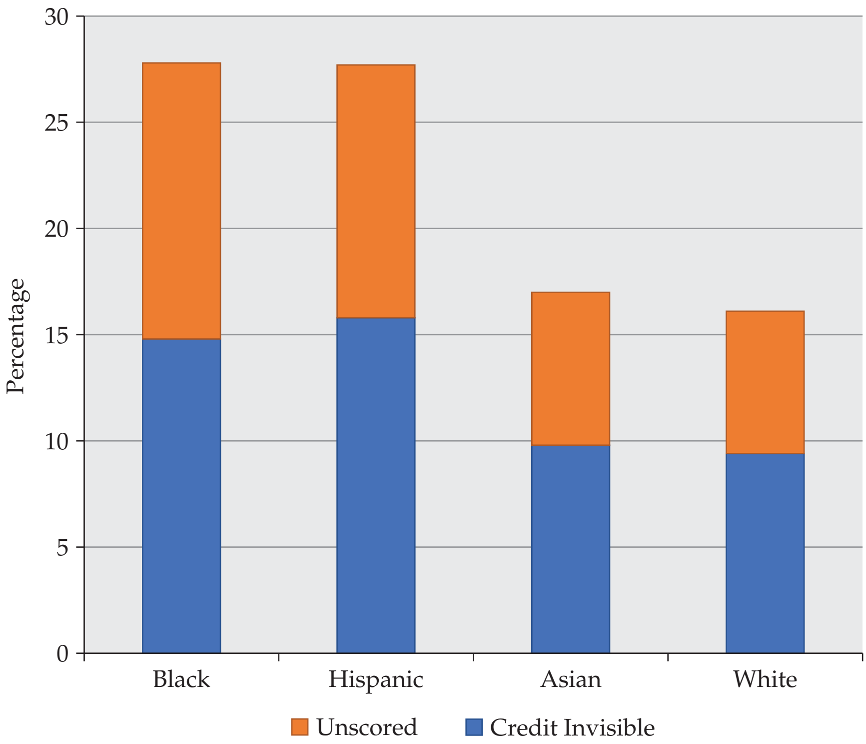
In the eyes of employers, good credit signals not simply the likelihood of repayment but also—and increasingly—moral character (reliability, punctuality, reasonableness). Just as job applications ask potential employees to "check the box" if they have a criminal record, they sometimes ask them to fill in a different box for permission to run a credit check. For those with low credit scores or none at all, a strong work ethic and proper work experience may not be enough to get a job, and if they do get a job, a low credit score may prevent them from obtaining a timely promotion. In short, the pursuit of safety, employment, and social recognition relies increasingly on maintaining a good credit score.

Credit invisibility reflects existing racial inequalities. An estimated 45 million adults in the United States lacked a credit score in 2010—either because they had no credit history or because they had too few active lines of credit to be scored—but the burden fell hardest on blacks and Latinx (28 percent in both cases), in contrast to Asians (17 percent) and whites (16 percent), depicted here in figure I.1.[2] The disadvantages of credit invisibility compound the existing racial inequalities from which they spring. The sociologists Rourke O'Brien and Barbara Kiviat conducted a survey experiment involving 1,050 hiring professionals and found that when otherwise equally qualified applicants had a bad credit score, a lower starting salary was recommended for blacks than for whites, and for women compared to men.[3]

Bipartisan partnerships in Congress have made an effort to remedy unjust denials of visibility. The policy agenda focuses on fixing market failures caused by information asymmetries and the correction of human failures generated by cognitive biases. For example, while promoting the Credit Access and Inclusion Act (H.R. 4172), Democratic congressman Keith Ellison of Minnesota and Republican congressman Michael Fitzpatrick of Pennsylvania argued that it is unfair that some people who are just as likely to repay a debt on time as other people nonetheless receive different loan terms and higher interest rates on their credit cards simply because regulators have prevented credit scoring agencies from obtaining relevant information about them. Financial service providers lack the necessary information to offer lower-cost loans to people whose financial histories are harder to collect. If that information could be gathered more effectively, more people would have access to fair loan terms and interest rates. Those with similar capacities would then have the same opportunities to participate in financial services and social life.

Though welcome, these calls for financial inclusion may make the very outcomes they seek less likely. The notion of financial inclusion proffered in the halls of Congress implicitly places the economy, politics, and social life in separate spheres. The separate and unequal distribution of debt and credit, in the economic view, results from nothing other than information asymmetry, revealed preferences, cognitive biases, and lack of willpower.

Figure I.1 U.S. Adults Considered Credit-Invisible or Having No Credit Score, by Race, 2010



Source: Authors' compilation based on CFPB 2015.

Such insights have encouraged financial institutions to improve their outreach to underserved populations, but they have not addressed more broadly how individuals experience the financial rules and services that place them at such a disadvantage. It is not enough to conclude that the planning-self is willing whereas the acting-self is weak.

What, however, is the alternative? What would it mean to move from inclusion to justice? How can financial inclusion be analyzed as something that happens to a family rather than to an individual obtaining a credit score? What if we were to analyze financial well-being as the respectful management of a bundle of relationships rather than the quantification of liabilities and risks? What would it look like to bear debt with dignity?

Studying the credited, the tenuously credited, and the discredited has long been an obsession among sociologists. Our scholarly community, however, has applied these terms to nonpecuniary situations (for example, race and ethnic relations, gender, and interpersonal dynamics) rather than to the financial world in which these situations are enacted. The sociologists Marion Fourcade and Kieran Healy, who suggest that paying close attention to credit scoring and the allocation of credit would help us better understand the life chances and social identities of people in today's society, point out that, "on the supply side, scoring agencies slice consumers into behaviorally-defined risk groups, and price offerings to them accordingly. On the demand side, consumers find themselves more or less comfortably fitting into these categories—which, by design, are not constructed from standard demographic classifications such as race and gender." Credit scores help create new classification situations, "positions in the credit market that are consequential for one's life chances, and that are associated with distinctive experiences of debt."[4] How do credit scores affect the ways in which people fit together into social groups? How does an individual's good credit score or inability to generate one affect her connections with others (family members or friends)?

THE ORIGIN OF THESE QUESTIONS

These questions of citizenship emerged during our research with the Mission Asset Fund (see prologue). We were attracted to MAF, not for what it could tell us about citizenship, but rather and primarily for what it could reveal about financial inclusion and economic justice. We soon learned the importance of understanding that the personal experiences of MAF clients with debt, credit, and good credit scores extend well beyond the act of obtaining a social loan.

When we conducted our interviews with fifty-seven MAF clients in the summer of 2015, three to four new lending circles were being formed each month at the Mission District office alone, with roughly ten people per circle. Clients took out loans of $300 to $2,400—the average loan being between $500 and $1,000—to be repaid over a ten-month period. Since 2007, the Mission Asset Fund has provided over 9,200 interest-free social loans worth $8.3 million among all participants in the lending circles in over seventeen states and the District of Columbia. The MAF main office also operates as the hub for research and development, fostering conceptual innovations and testing new ideas. Compared to what they would have paid elsewhere, MAF clients save about $360 in fees and interest on each social loan, amounting to a total of $1.6 million in savings. Presumably, these savings in fees and interest help clients reduce their debts and direct their resources toward helping themselves and their families.

At first, we focused on the practical reasons why MAF clients wanted credit scores and a means of building a positive credit history, but we soon noticed that nonmaterial concerns were equally important to them, such as being treated with respect and acting honorably toward family and loved ones. They reckoned that access to a mainstream credit card would signal their arrival at adulthood and stability. With a credit card, they could enter a store and do what others did, or they could enter a bank and be treated like everyone else. We saw above all a longing for equality in the market (if not under the law).

As some MAF clients explained to us, people with bad credit are treated as if they do not know what they are doing. Even financial counselors can sometimes make those without a credit score feel as though they lack the self-control and good judgment to keep themselves out of trouble. There is no recognition that these clients are not necessarily "giving in to temptation," but rather making choices about how to honor requests from loved ones. Often they fall into debt, not for their own sake, but for the good of people whom they care about.

Most of the individuals we interviewed for this book identified social connections as a vital need, and many wished to improve their finances to help not only themselves but others as well. People spoke about assisting their children, parents, siblings, and friends as a way of honoring the right of loved ones to make such claims ("relational rights"). In *Economic Lives*, the sociologist Viviana Zelizer reminds us that we show respect and concern for those we love in the ways we use our resources both with them and for them.[5] How we handle money also signals our closeness to other people and our role in their lives, and theirs in ours.

We found that when dealing with credit and debt, MAF clients were managing more than their relationships. They were trying to participate in an imagined social contract in which honesty and decency generate just rewards, including the feeling of being connected to socially significant others. Interviewed by NerdWallet about his experience with the lending circles, Javier Giron, a forty-six-year-old immigrant entrepreneur, remarked: "Credit is gold in the U.S. [Without it,] you don't have anything." For someone like Javier, credit functions as a capability, what the economist Amartya Sen calls the set of "beings and doings" that lead to self-actualization.[6] Without credit, Javier would not be able to make his own decisions or pursue his dreams. Worse, he would be marked as someone lacking the capacity for judgment—as an adult unworthy of autonomy because his decisions would not be deemed legitimate.

THE FOUR COMPONENTS OF FINANCIAL CITIZENSHIP

Such stories of credit invisibility and its effects challenge our understanding of citizenship and belonging. We use the term "financial citizenship" to indicate membership in a market-oriented public whose privileges depend on credit scores and external signs of credibility. Having one's financial credibility fully recognized requires a right to safety (freedom from exploitation), a right to recognition and belonging, and a right to become what W. E. B. Du Bois called a co-creator of one's culture.[7] Historically, disadvantaged co-creators appear as "two souls warring in the same body": they experience their financial practices as a means of gaining social belonging, dignity, and respect, but they are also pushed to see their behaviors through the gaze of others. This external gaze too often renders them "Quants," that is, calculating individuals who are more concerned with maximizing material gain than with living a dignified life in a caring community.

Neither the advantaged nor the truly disadvantaged behave like Quants. Analogously, individuals' claims to financial citizenship go beyond the formal meaning of membership in a national community. The definition of financial citizenship that emerges from the ground up differs sharply from depictions of the financial system as necessarily dominating society and those who dwell therein. Writing in the mid-1990s, for example, the economic geographers Andrew Leyshon and Nigel Thrift noted the contradiction between social rights and market freedom. With market freedom, financial citizens can experience discrimination (by price) and both buyers and sellers can take advantage of each other as long as they honor contracts and do not violate laws.[8] How, then, can we speak of citizenship in an environment in which free market principles have emerged as dogmatic tenets of faith?[9] Is it possible, the geographer Mark Kear asks, that banks and other financial institutions have a social contract with customers and noncustomers alike?[10]

In *Citizenship and Social Class* (1949), T. H. Marshall argues that citizenship transcends the formal rights granted by governments and extends to the informal consensus on what people should be able to accomplish if they belong in the society in question. He also points out that different types of citizenship emerged in capitalist England as the democratic impulse clashed with the inequalities inherent in a free market system. The earliest period of civil rights had led to later periods of political rights, then social rights. The more Marshall looked, the more he found a range of rights to which workers had given voice. They wanted a say in how industries were run, for example, and how they were called on to labor in those operations ("industrial rights"). Perhaps less discussed in general were the "consumer rights" that Marshall identified, including "the right to share to the full in the *social heritage* and to live the life of a civilized being according to the *standards prevailing in the society*."[11]

In short, as people become full members of a financialized society, they assert their freedom *from* and their rights *to*: their freedom *from* exploitation, and their right *to* recognition, social belonging, and the co-creation of institutions of commerce.[12] These components of financial citizenship bear a strong resemblance to what the political theorist Danielle Allen calls political equality, and this resemblance affirms just how embedded society and politics are in the world of household finance. In the rest of this section, we review each of these four components.

Freedom from Exploitation

Consumers expect to pay interest on borrowed money and to incur fines for not paying their bills on time. Although many consumers are exploited on a regular basis, we want to make clear that this is not simply a quantitative problem of high interest rates or exorbitant fees and fines. Certain quantitative benchmarks do elicit public outrage, such as the 300-plus percent annual interest paid on payday loans or the subprime mortgage rates and fee structures that make it harder for disadvantaged families to build equity in their homes. At what point, we may wonder, do banks and other financial providers go too far? What is the line between profit-making and exploiting the needy? And why not consider the alternative explanation that so-called exploited individuals are freely choosing their options?

We recognize that individuals experience situations of explicit exploitation and encounter disadvantages that result from quiet, longer-term processes. Even when obvious, financial exploitation is difficult to correct because it can easily be blamed on the "choices" made by its victims. By contrast, its quieter forms escape the attention of policymakers, who seem confused about how to address historically entrenched disadvantage. The first is easy to illustrate; the second takes time to discern.

In cases of explicit exploitation, the providers of financial services target vulnerable individuals. Take, for example, an individual who has opened a mainstream bank account to avoid check-cashing services, pawnshops, and payday lenders.[13] To her surprise, that bank, extolled by financial counselors, is the problem. Wells Fargo staff have opened accounts under her name to make money off her. Although she realizes that the bank is engaging in fraud, she is convinced that no one will believe her. It is her word against Wells Fargo's. She has neither the time nor the monetary resources to confront the bank; moreover, the bank enjoys legal protection that precludes her and customers like her from joining a class-action lawsuit.

Similarly, it is difficult to confront deception that cannot technically be classified as deception. Financial providers take advantage of widely known patterns of behavior that lead people to accumulate high-priced debt. For example, payday lenders offer loans with balloon payments (as do mortgage lenders in the subprime market). The timing of the balloon payments leads potential borrowers to discount the cost of the loan or overestimate their ability to pay it. The problem in this case is not the fact that consumers have common cognitive inclinations (underestimating costs and overestimating their ability to keep up with payments); the problem lies in the very design of a loan product that takes advantage of these inclinations with the intention of locking consumers into debilitating debt.

No matter how disciplined or, conversely, out of control a person may be, there are certain exploitative situations that they simply cannot bring on by themselves. Describing the predicament of a forty-seven-year-old woman whom she interviewed for a *New York Times* story, Gretchen Morgenson observes: "As surely as it takes two to tango, [this woman] had partners in her financial demise. In recent years, those partners, including the financial giants Citigroup, Capital One and GE Capital, were collecting interest payments totaling more than 40 percent of her pretax income and thousands more in fees."[14] While acknowledging that the subject made some poor and costly decisions, Morgenson identifies the terms of the interest payments, fees, and fines as the culprit that still walks free. Had the loans this borrower took not been structured in the way that they were, she could not have made her "choice." Her decision had required institutional assistance. The institutions from which she borrowed had been quick to hand her a shovel (of their own design) to dig the trap into which she fell. It did not have to turn out that way.

Other cases of exploitation unfold over far longer periods of time, sometimes without obvious indicators of abuse. In *How the Other Half Banks,* the legal scholar Mehrsa Baradaran shows that African American institutions of commerce have operated with different levels of protection and more limited access to growth opportunities.[15] Even when these institutions have done all the right things, their return on investment has been lower than that of mainstream institutions. Initial conditions of disadvantage shaped the ecosystem in which they and those they support engage in financial transactions. This is a less obvious form of exploitation, as we shall see in chapter 2. To correct the false impression that the wealth gap and over-indebtedness result from ignorant individuals making poor choices, we need to pay attention to processual exploitation. And we need to remember that there are some things that individuals and nonprofit organizations cannot accomplish on their own. Public policies matter.

The Right to Respect

According to José Quiñonez, well-meaning policies may unintentionally create problems simply by treating the people they are trying to help as if they were incapable of making good decisions. According to this premise, if these people could make sound choices, they would need neither assistance nor specially tailored programs. This narrative scours people's experiences for those instances when they seemed to work against their own well-being, as when they took on debts they could not afford, or sent money to relatives rather than contribute to their own retirement funds or their children's educational funds. Such policies determine for these people what their legitimate needs are; tell them that they have no right, as it were, to put their money in the service of those they love; and identify priorities that others do not recognize as such. In short, the right to recognition of the people they would help is denied.

The philosopher Axel Honneth defines the right of recognition as the external acknowledgment that an individual has the capacity to reason and engage in public deliberation on what constitutes a legitimate need.[16] In the case of financial citizenship, an individual receives respect and recognition when public officials and nonprofit practitioners do not denigrate her household budgeting practices, even practices that they deem unwise or wasteful. This right to recognition runs counter to the urge to "fix" broken people. It also requires that those who witness harmful or wasteful financial practices tolerate the individual who is learning from experience and who may simply need greater protection from exploitation and alternative institutions of commerce to meet her legitimate needs. That being said, such tolerance may facilitate the conditions of exploitation. But if intolerance is to be practiced, it should be aimed at the exploiters, not the exploited.

The Earned Income Tax Credit (EITC) is a government program that helps individuals exercise their right of recognition. Low- and moderate-income individuals receive a lump sum of cash and obtain this lump sum using the same facilities as do higher-income taxpayers. Jennifer Sykes, Katrin Križ, Kathryn Edin, and Sara Halpern-Meekin have studied how the EITC affirms the dignity of those who participate in the program by routing them through mainstream service providers, such as H&R Block.[17] When these same individuals receive their government benefits through stigmatized services such as the welfare office, their sense of self changes: they are made to feel that they are not like everyone else and that they are not in fact collecting money they have *earned*. Using H&R Block signals to them that they do have the capacity to reason and the freedom to make choices about how they use their resources. In another study, Edin, along with Luke Shaefer and Laura Tach, goes beyond the EITC to ask: "What if any program, public or private, seeking to help the poor were designed with social inclusion as a defining principle?"[18] In this book, therefore, we define the experience of "social inclusion" and "financial citizenship" as a multifaceted condition that explicitly includes the right to recognition.

Let us first consider how people may experience disrespect. As parents struggle to protect their children from eviction and help them lead normal, fulfilling lives, they find themselves battling collection agencies that not only demand payment but also insist on shaming them. One woman reported that an agent from the United Collection Bureau called her about a nonfederal student loan that was in arrears. He informed her that the front door to her house would be padlocked and that she would be handcuffed by the sheriff. Upon calling the bureau to see what could be done, "the man I spoke to became belligerent and cussed at me. He told me that is why I am in collections because I am a loser. *My daughter heard this as the call was on speaker phone. She started crying and asked why this mean man was calling you a loser, Mommy*."[19] With her child within earshot, she had experienced her dignity as a mother being jeopardized. Not only was she not able to protect herself, but she had also failed to shield her daughter from the pain of indebtedness. Perhaps worse, if her daughter saw that she could not demand recognition and respect from others, what prospects would her daughter have as an adult?

Such denials of respect and recognition become part of government policy when financial literacy tests become a prerequisite for accessing critical services. Working its way through the legislature in Kentucky, for example, is a bill that would require individuals who receive Medicaid (for needed medical care) to undergo a financial and health literacy examination to get back on the program after being kicked off.[20] The bill is a consequence of the new work requirement, which stops coverage for Medicaid recipients who cannot meet it. The requirement can be waived, however, if an individual passes a set of health and financial literacy quizzes that are allegedly designed to help people make better decisions when selecting health care plans or managing health care expenses. But they also resemble the citizenship tests used in the Jim Crow South to prevent black citizens from voting, while signaling to the individuals required to take them that they cannot afford health insurance on the private market, or that they have "avoidable" ailments. In other words, these new requirements imply that the affected individuals have acted out of either ignorance or a low capacity for making legitimate decisions on their own. These quizzes make it impossible for low-income individuals to stand on the same moral ground as their higher-income insured counterparts. Karl Marx recognized early on the moral dimensions of debt and credit. He wrote: "Credit is the *economic* judgment on the *morality* of a man . . . the *spirit of money* is not money, paper, but instead it is my personal existence . . . my social worth and status."[21] A lack of credit and the weight of debt can threaten both how worthy others regard an individual to be and how that individual regards herself.

The right to respect runs counter to the reluctance of dominators to treat the dominated as moral equals. Adam Smith makes this argument in *The Wealth of Nations* as he discusses slavery in the colonies: "The pride of man makes him love to domineer, and nothing mortifies him so much as to be obliged to condescend to persuade his inferiors."[22] Dominators justify their superior status by noting that the dominated seem to work with less enthusiasm than they do; the oppressed, they assert, lack discipline, as opposed to their own self-regulation and self-control. Moreover, the negative qualities of the dominated have consequences for their health, education, and financial security, which can threaten the well-being of the healthy. Why should the strong be subjected to incoherent or dangerous narratives spun by the weak? What is more, if left unpunished, the behaviors that wreck the lives of the poor may contaminate the morally upright. Such reasoning allows the powerful and the well-meaning to abandon the right of recognition for the sake of protecting the entire community and helping its weak members grow stronger.

Debt collectors justify their disrespectful behavior toward those in severe breach of contract by invoking the dominator's logic. Why treat such individuals with respect? Indeed, the experience of being treated with disrespect by the mainstream financial system may have motivated some individuals to use higher-cost financial services. As at least one MAF client remarked, "When you get money from a pawnshop, it's your own stuff, so they don't ask a bunch of [disrespectful] questions." Pawnshop operators do not treat one's possessions as if they are dirty, contaminated, or contaminating. By the same token, even more vilified sources of short-term loans, such as payday lenders, seem to know how to engage in recognition, even as they practice exploitation. They know that having short-term needs is natural in our financial system and do not look with suspicion at anyone trying to provide for his or her family in a dignified way (as we discuss in greater detail in chapters 3 and 4).

The Right to Belong

What does it mean to belong to a family, a community, or a society? The term "belong" invokes connection. What are the visible indicators of such a tie? What are the implications of social connections for healthy human development? These questions broaden the purpose of financial citizenship beyond the material disadvantages experienced in the marketplace to ask how credit invisibility and stigma become implicated in the way we look for work, perform in school, engage in politics, and participate in community or religious rituals. In other words, if human well-being now depends on membership in a financialized community, how do we think about the right to social belonging with regard to the financial system?

We know that a person belongs to a group and its traditions by virtue of how she uses her financial resources.[23] A family demonstrates that it belongs to a religious or cultural tradition by paying for a bat or bar mitzvah or a quinceañera. Parents and guardians affirm their children's belonging in a school community through visible purchases for their graduation ceremonies and by their willingness to do whatever it takes to help their children pursue a college education or to complete other rites of passage.[24] Parents also help their children feel part of a peer group by allowing them to wear and use the same things as their peers do.[25] Parents see no reason why their children should not enjoy Christmas as other children do and know that, when they return to school after the December holidays, they will feel pressure to reveal what they received for Christmas. If they have received nothing, the children may feel shame, and their parents may feel worthless.

This intrinsic drive for social connection needs to be accomplished in a dignified, affirmative way. First, wrong timing can draw unwelcome attention. Communities undulate with rhythms as its members move in step, fulfilling rituals and traditions. If a member falls out of step, she may draw sharp criticism from others. So, for example, a family needs to celebrate a graduate on graduation day, not at a later moment when they have saved enough income or other lumpy expenses are not interfering. Second, how individuals pay matters. It is not just a question of providing the feast for the graduation party but also of how the parents, or those in the role of parents, visually pay for the event. Do they use a credit card or a gift card, as do other parents in such cases, or do they cook at home after acquiring groceries from governmental or nonprofit sources? Hence, the ridicule in an Eddie Murphy comedy act toward children whose parents cannot afford regular cheese and have to rely on "government cheese." Worse than a stigmatized source of funding is a publicly declined credit card at the checkout. Rejection occurs before loved ones and marks the parent as unable to provide adequately (or plan properly) for an important transition in her child's life.

For too long, proponents of liberty have emphasized freedom *from* belonging rather than the right *to* belong. Too much belonging, in their view, puts restrictions on where individuals can work, what they can sell, and how they can consume by virtue of their gender, race, religion, or social status. Just as Georg Simmel identifies money as the social leveler that did away with unnecessary status distinctions and antiquated requirements to belong to a group, those who believe in mathematical purity turn to credit scoring as a way of freeing the grantors of credit from their own prejudices. An unbiased, mathematically driven market will generate fairness and efficiency so long as historical processes of exploitation can be bracketed. In a financialized society, people no longer need to say that all money is the same color and can now state that all financial histories are simply pure math (universal) in that each has a number. Simple math liberates even those struggling with implicit prejudices, allowing them to make judgments based on the universal characteristics of individuals (work histories, skill sets) rather than on particular, ascribed identities (ethno-racial categories, gender or sexuality, religion, or national origin).

Yet these algorithms and the actions that they facilitate rely on a vision of the world that encourages disconnection, or at least a limited and highly selective connection to family and community. From this perspective, individuals unmoored from their past have an abundance of options. They can choose new families and move away from old ones. They can decide how to earn, what to save, what to borrow, how to invest, and to whom to lend. According to this individualistic view of consumption, the unequal outcomes that result from their choices are necessary. The capacity to choose is intrinsically valuable in and of itself. What matters is equal opportunity that allows disciplined individuals to reap material rewards.

By contrast, we ask in this book how the menu of available choices is established for different groups. We argue that what anyone perceives as an option depends on what others around them are doing. Options operate not globally but locally; thus, if your sibling needs financial help and cosigning a loan or obtaining a payday loan is an option that others in your social circle exercise, it becomes harder to argue that the option should not be on the table. By virtue of being asked to help, you experience social belonging and are marked as tied to and responsible for the well-being of another.

Native Hawaiians offer a clear example of what it means when individuals act as though they are enmeshed in a web of relationships. In a case study of the Hawaiian Community Assets Organization, a community leader placed relationships at the center of financial health: "The Western tool of hoarding dollars and of building financial strength is not the endgame—that is not the reason we seek to build wealth. We build it for the Native endgame: to spend it on and to invest in Native goals, to achieve language revitalization . . . to immerse [our youth] in Native cultural values . . . and to set a foundation for Native Hawaiian wellbeing."[26] This Hawaiian nonprofit, in short, is trying to tailor its programs and services to entire families, enabling individuals to incorporate their offspring and other members of their multigenerational families. For example, they turn budgeting and other financial practices into a family-oriented and participatory activity.

This case study represents what Jessica Santos, Angela Vo, and Meg Lovejoy have termed "empowerment economics." According to their definition, empowerment economics engages in shame-free dialogues with families because it is the group rather than the individual that makes financial decisions. This sort of relational approach leads to multigenerational interventions that are based on culturally resonant terms. Not only does an empowerment approach meet people where they are, but it also does not predetermine where they need to go (goals). In this model, the targeted population has a right to a say in the goals established and the types of interventions that it wishes to experience.

The Right to Co-create Institutions of Commerce

In our observations of lending circles, we noticed that as individuals joined the program, they implicitly affirmed their right to have access to commerce as well as to coproduce and codirect the commercial institutions they used. The loans originated from the group, and the structures (the rules, the platform, the reporting procedures) were put in place to optimize benefits for members. As we shall see in chapter 3, lending circle participants were repeatedly told that members of the circle needed to determine loan amounts and had to figure out what to do if one of them asked to change the month in which she received her lump sum. They were also regularly reminded that they were lending their own money. This experience differed sharply from typical encounters with commercial institutions, which are highly directive, nudging people out of "bad behaviors" with such force as to demean them and depriving them of any sense that what they receive is something that they have co-created and are free to use as they wish.

To assert a right to commerce requires a grounded understanding of what commerce is. Like other social institutions, such as the state and the church, commercial institutions help organize people's lives while offering sanctioned scripts for good versus bad behavior. By doing so, commercial institutions offer both a means of self-expression and self-actualization and a means to connect with socially significant others. Writing in 1913, the sociologist Charles Cooley regarded self-expression as necessary for "self-respect and integrity of character" and saw commercial institutions as potentially engendering such traits.[27] Yet Cooley also acknowledged that people need to believe that they have a stake in a society in which pecuniary values are on the rise and some sort of "control of working conditions by the state or by unions, co-operation, [or] socialism—something that [gives them a sense that they have a] human share in the industrial whole of which [they are members.]"[28] It was "bad philosophy, in economics as in religion," Cooley wrote, to consider material matters like money and finance as unrelated to higher cultural values such as dignity, creativity, and social belonging. "To separate them is to cripple both, and to cripple life itself by cutting off the healthy interchange among its members."[29]

Commerce, after all, signifies the circulation and interchange of a wide variety of things, ideas, people, relationships, and values. Monetary transactions rely on these other transfers. Albert O. Hirschman's depiction of "doux commerce" reminds us that the acts of buying, borrowing, and saving draw people into relationships motivated by interests and passions, that these ongoing interactions in the marketplace smooth out differences (or turn them into motives for connection), and that ongoing interdependencies make us behave more kindly toward one another.[30] In *Economic Lives*, Zelizer also notes that doux commerce is not dead. There is no linear progression from a longing for community to a fierce insistence on being left alone. Instead, people express love, intimacy, and community through their handling of money, and they make sacrifices for loved ones through debts, gifting, and other forms of financial provisioning.[31]

Credit unions, which are co-owned and governed by those who use them, have served as an exemplar of institutions that thrive on social connection. Being owned by its members places limits on how much

Table I.1 The Four Components of Financial Citizenship

Component	Definition	Examples
Right to be free from exploitation	Being protected from deception and coercion	Being protected from hidden fees and balloon payments meant to keep borrowers paying more than advertised on a debt
Right to respect	Being treated as if one's decisions are valid	Not being subjected to financial literacy tests that signal an individual's unfitness to make her own economic decisions; not being asked questions that suggest an individual's disabling lack of financial know-how (even if the evaluator believes the disability to be significant)
Right to belong	Being able to use credit and debt in order to participate in family and community rituals; being able to treat requests from loved ones as valid (relational rights)	An individual not meeting savings and investment goals because of the need to cover expenses that allow her child to participate in an activity, as other children do, or that allow her or those she cares about to participate in a rite of passage
Right to co-create institutions	The freedom to use expertise from both local, unofficial practices and official, nonlocal practices (for example, banks and other formal financial service providers) to make new hybrid products and services	Formalizing rotating savings and credit associations into lending circles so that consumers can build a positive credit history; using the model of funeral societies to develop insurance alternatives that resonate with communities

Source: Authors' compilation based on CFPB 2015.

profit the credit union's management can make and the kinds of penalties and fees that members are willing to accept as necessary for the institution and the community it supports to thrive. Credit unions represent a particular vision of economic democracy. In such a financialized *demos,* service providers strive to be economically healthy while also being connected to those they serve. Table I.1 brings together the right to co-create institutions with the other components of financial citizenship, namely the right to be free from exploitation, the right to respect, and the right to belong.

RECOGNIZING ACCOUNTS

The fight against inequality has expanded to the provision of credit visibility, the recognition of dignity, and the extension of choice. At first glance, these accounts of citizenship seem mismatched, with politics, sociability, and dignity imposed on economic life. With greater care, we hope to demonstrate the usefulness of our alternative account and to make sense of behaviors that might otherwise escape our understanding.

We find our blueprint for thinking through these social accounts of credit, debt, and citizenship in a character in a short story by Jorge Luis Borges. Zelizer retells the story in *The Social Meaning of Money* to elucidate what people do when they account for money and its uses. The character, Ireneo Funes, is incapable of sleep but has a remarkable memory, hence his moniker, Funes the Memorious. When referring to numbers, Funes uses terms that mainstream accountants and regular folk do not recognize:

> Instead of seven thousand thirteen, he said (for instance) *Máximo Perez;* instead of seven thousand fourteen, *The Train;* other numbers were . . . *Sulphur, clubs, whale gas, cauldron, Napoleon, Agustin de Vedia*. Instead of five hundred, he said *nine*. Each word had a particular sign a sort of marker. . . . I tried to explain that this rhapsody of disconnected voices was precisely the opposite of a system of enumeration. I told him that to say 365 meant three hundreds, six tens, five ones—an impossible analysis with the "numbers" *Dark Timothy* or *meat blanket*. Funes did not understand or did not want to understand.[32]

Failing to grasp his method, someone casually encountering the bedridden fellow might mistake him for mad. However, trying to force-fit an "ideal of numerical calculability" on Funes would deprive him of his voice. Had he used a conventional term for a number rather than *Dark Timothy*, he would not have been able to convey the cultural, sonic, pictorial, or moral meanings he had in mind. Calculation carries quantities, histories, sound, and sense. In our view, Funes has a right to his creativity.

Like Funes the Memorious, many people have memories of money that, though less complete, transcend its quantitative character. We will meet some of these people in this book and see how they manage to juggle the financial needs of several households with little money and even less formal education. Do such individuals need a completely new system for managing their finances, or does it work to simply amplify what works well while minimizing what does not? It is not math alone that spirals a family down into harmful debt. Math without meaning, we argue, disrespects those who use it to calculate. Worse, it provides a technocratic excuse for depriving people of their citizenship.

Accounting functions as voice. It can silence relationships, moral concerns, and histories of disadvantage, or it can reveal and make these experiences and values integral to the system of enumeration and critical within the practice of repair. The individuals we met at Mission Asset Fund spoke about *why* they had made financial decisions more than *how much* those decisions had cost them in quantitative terms. Through their finances, they gave voice to their aspirations for their children, their insistence on a dignified death for loved ones, their performance as providers and protectors, and their strong desire to be treated with respect as they engaged in transactions to co-create their communities. The meaningful lives they pursued defy top-down instructions on getting a single number "right"—the "right" target for savings or retirement, the "right" kind of place to bank. Policymakers often act as though the nonmathematical language of spending and borrowing can be directly translated into a mathematical bottom line and hard numbers will persuade individuals that one course of action is preferable over another. Such unidimensional translations on the part of policymakers ignore the meanings of money, credit, and debt, often with perilous consequences for those individuals' lives.

AN OUTLINE OF THE BOOK

Chapter 1 opens with the birth of the Mission Asset Fund—how a charge to economically empower the residents of the Mission District in San Francisco resulted in lending circles, a new model for bringing dignity, recognition, and belonging to disadvantaged populations. Here we discuss what it means to be a co-creator of a commercial institution and how the principles of financial citizenship emerged at the organization's founding. We follow José Quiñonez into the halls of Congress as he meets with legislators and practitioners in the asset-building community in order to bring certain populations out of the shadows and into opportunity. As we hear him testify about people whose life chances were significantly improved by credit visibility, we begin to examine the need to update old-fashioned notions of inequality and belonging and to take into account the uneven distribution of good credit scores and visible credit histories across the population. Unseen drivers of inequality, such as credit invisibility and the disrespectful engagement of financial service providers with people of color, have kept the latter separate and unequal. The problem arises partly from policy decisions that allow credit scorers to "see" certain behaviors while ignoring other transactions that might demonstrate the ability of those applying for credit to repay their debts. Government regulators try to protect citizens from debt traps and strive to promote sobriety. Sometimes they blame both those who create instruments of debt and those who use them (and "who should know better," as one regulator remarked at a conference on financial inclusion at the Treasury, "than to spend what they don't have"). When assigning responsibility to the former, they affirm the right to be free from exploitation, but when they call out the latter, they deny individuals their right to recognition.

Chapter 2 takes a different tack by embedding the lending circles model in a broader history of racialized disadvantages. Exploitation has long been with us, but some groups of people have been seen as more deserving of protection from it than others. This chapter takes us to the Civil War and its aftermath, when white politicians sabotaged the efforts of people of color to establish new commercial institutions. Certain politicians and historians of the time argued that the country's financial institutions served as the circulation system of the body politic and that "injecting" people of color into its blood would poison it. Later such warnings no longer referred explicitly to race as a contaminant but rather to particular behaviors; those who behaved badly just happened to be clustered in poorer, racially segregated neighborhoods. Later claims by some people that the subprime crisis was the result of extravagant spending among irresponsible people who did not deserve their houses were based on such a view.

The success achieved by social movements did eventually lead to new institutions of commerce that honored people of color and women, but the ecosystem in which these institutions operated remained different. A set of interconnected organizations reduced the ability of people of color in particular to gain as much from engaging in the same savings and investing behaviors engaged in by white people.

Color-blind "postracial" discussions of economics and fairness rely on partial accounts that mask the very arrangements that perpetuate credit inequality today. Legislative attempts to bring credit justice to ordinary citizens have been one answer to the overarching question of who belongs in the United States and what kinds of rights accompany political membership. Nevertheless, racial struggles continue to animate discussions about money and banking, affecting the kinds of help that people of color receive when they try to amass savings, own homes, and realize economic advancement. Identity matters in the marketplace to this day.

Chapters 3 and 4 navigate between these public issues of racialized disadvantage and the experiences of Mission Asset Fund clients as they try to come out of the shadows of credit invisibility. Here light is shed on the MAF staff's recruitment of new clients in community centers and credit unions and on the clients' interactions with the organization and with each other to form new lending circles. "It's not up to us to tell them what their priorities are or how they should use their loans," Mohan Kanungo, the program coordinator, told us. This sentiment was regularly echoed by other staff members and the executive director. In this setting, the practice of financial citizenship achieves a fine balance between the autonomy of the clients and the costs they incur when coordinating activities that help them do and be who they are. MAF clients are not only improving their credit histories but also making consequential decisions for their relationships with loved ones (and those they struggle to care for). However, as we also show in chapter 4, coming out of the financial shadows does not by itself address all of the other forms of inequality experienced by communities of color. With all these lessons in mind, we ask in our concluding chapter how changes to current policies and programs could enhance the experience of financial citizenship for the disenfranchised.

There are ways to misread this book. First and foremost, acknowledging citizenship rights does not "excuse" the abuses of capitalism or promote consumerism as a substitute for democracy. The chapters here lay bare the racialized history of the marketplace and expose the mechanisms for widening inequality. The book goes beyond inequality as status and asks about how people experience it. Using financial services can be either dignity-affirming or morally degrading. While dignity inheres in individuals and may be seen as an inherent right, people can only realize this right by engaging with others. Our emphasis on dignity-affirming transactions forces us to question some of the approaches that scholars and policymakers have taken to studying household finances.

To write this book, we pored through interviews about their financial (and family) lives with fifty-seven Mission Asset Fund clients. Marlene Orozco, a PhD candidate at Stanford, conducted the lion's share of the interviews in the MAF offices. We asked clients about how their lives were going, what they were happy about, and what they wanted to change. We followed up with a series of questions about how they paid their bills, how they helped or received help from other people, and what financial strategies they used week to week, including debit cards, credit cards, payday loans, rent-to-own, salary advances, advances on tax returns, delayed payments on utilities and rent, assistance from family and friends, and assistance from social and nonprofit services. Aside from the client interviews, we have drawn on insights from MAF staff members, notes from our attendance at staff meetings, and observations over a four-year period of recruitment sessions, lending circle formations, financial education trainings, social gatherings, and meetings on how to make financial education available online. We have also examined the histories of race, inequality, and banking in order to understand the long-term processes through which lasting disadvantages were established and have been maintained. From these histories, our observations, and our interviews, we began to piece together how the private financial troubles of the people we met were linked to larger public issues. One of the book's authors (Wherry) interviewed and spent time with MAF's executive director, both at work and at both of their homes. He also spent time with staff members both during and immediately after their workday. In these conversations, staff members revealed their understanding of MAF's mission, and we began to discern some of the unspoken meanings of their work. This led us to thinking about social citizenship, since MAF clients were clearly concerned about belonging and recognition of their membership in their communities was very important to them. We began to see that these concerns about membership and belonging were expressed at the same time as concerns about respect, dignity, and care for loved ones. We encountered self-actualized individuals using money (and whatever else they could find) to do things for the people they loved.

Our experiences at the Mission Asset Fund convinced us that it is time for a financialized understanding of the social contract. Do citizen-consumers have a right to safety? Do they have rights to autonomy and to being treated fairly? How are these rights enacted in a society where credit and credit scoring are imbricated in the relationships among parents, lovers, lone strivers, neighbors, and children? How do consumers' experiences with credit affect their general feeling toward their community and toward democratic society? With these questions on the social dynamics of credit, debt, and belonging, we begin our inquiry.