

Financial Behavior

As We Forgive Our Debtors. Bankruptcy and Consumer Credit in America. TERESA A. SULLIVAN, ELIZABETH WARREN, and JAY LAWRENCE WESTBROOK. Oxford University Press, New York, 1989. xii, 370 pp. \$29.95.

Bankruptcy can be traced from Biblical references to a reality in the lives of nearly 617,000 Americans in 1989. This book is not a historical account of bankruptcy law over time, but the authors give recognition to its philosophical underpinnings and examine the creditor as well as the debtor side of bankruptcy. Though some might argue that the percentage of bankrupts in the population, 2.5, is insignificant, this book documents that the bankruptcy process is part of the broader debtor-creditor relationship and that bankruptcy is one of several major stages at one end of a continuum of financial and credit behaviors. The authors examine the characteristics of individuals and households who go through the bankruptcy process in comparison to the general population. From this examination, they build a conceptual model for the condition of bankruptcy, including a detailed discussion of the role of creditors and the structure and operations of the credit industry. Finally, they consider implications of this debtor and creditor interaction for our laws—that is, for the bankruptcy code and credit legislation.

This book is *not* just about bankruptcy. The authors are careful to compare their sample of debtors with the general population. Bankruptcy could happen to any number of Americans, given certain changes in economic fortunes. From among a multitude of descriptive statistics (the book includes over 60 tables), the comparative analyses of debts and assets (based on the 1983 Survey of Consumer Finances) show that one-third of the general population has a net worth of less than \$5000, while 84% of the debtors are worth less than that amount. About 5%, or 1.25 million Americans, have debts in excess of 20% of their incomes. These households are particularly vulnerable to financial misfortunes such as job loss or income interruption, which are common precursors of bankruptcy.

The database utilized in this book is unique. Whereas few previous studies or

analyses have gone beyond case counts or the gross data collected for the administrative records of the district courts, this book utilizes data contained in the actual bankruptcy petitions of 1529 debtors. These cases were randomly selected from cases filed throughout 1981 and from all divisions within ten federal court districts located in Texas, Illinois, and Pennsylvania. The data were assembled and tabulated between January 1983 and June 1985, by which time all the cases filed under chapter 7 of the federal bankruptcy law were closed and the chapter 13 cases were either closed or progressing to a state of likely success. (Chapter 7 allows for the immediate liquidation of nonexempt assets for the payment of outstanding debt or the discharge of debts if few assets are available, leaving the petitioner with more access to his or her future income but ineligible for further bankruptcy for seven years, whereas under chapter 13 a petitioner is allowed to keep all assets with the promise to repay debts from future income under the supervision of a court-appointed trustee and becomes a debtor of the court.)

From this petitioners' database, the authors meticulously tease out major characteristics of the debtors in their sample. Poignant case descriptions are scattered throughout the discussions. To date few researchers have examined petitioners' records or chosen to scrutinize creditors' contributions. (One exception is Stanley and Girth in their 1971 book *Bankruptcy: Problem, Process and Reform* published by the Brookings Institution, but their study involved a smaller sample and their analysis of the petition data was limited to simple descriptive information.) This current study thus offers inside details of debtors' lives rarely seen before.

The authors do not limit their consideration of players in the bankruptcy process to debtors. It is, quite naturally, to the advantage of creditors to maximize profits. The rigor with which this goal is pursued appears to be associated with the number of bankruptcy casualties. For example, from the petitions of the debtors in this sample, it can be shown that creditors made from 27% to 36% of their loans to debtors with incomes below \$12,500. Of course, some of these loans could have been made prior to

income interruptions or loss on the part of the debtors. However, as long as credit permeates our society, the likelihood of financial insolvency or bankruptcy increases.

Finally, the book is rich with policy implications. The researchers note that the economic model of behavior, which has been routinely used in the past to justify changes in the law (and which was the basis for the most recent amendments), simply does not fit the profile of the average debtor in bankruptcy. This model is built on the assumption that the debtor is a "cool and calculating maximizer" in his or her decision to choose bankruptcy and which chapter of the law to file under. The findings of this study indicate that most bankruptcies occur gradually over time and that petitioners often view their decision as a last resort forced on them by a chain of misfortunes. The authors use multivariate analyses to decipher which economic, social-demographic, and legal factors influence petitioners in their choice between chapter 7 and chapter 13. These groups of factors (first suggested and used by Dolphin in his 1965 Bureau of Business and Economic Research study) were tested for contribution to explaining debtors' behaviors, and the social-demographic factors, such as marital status, self-employment, home ownership, occupational prestige, and migration patterns, were found to explain most of the variation. Differences in economic factors such as assets, debts, and income or in legal factors such as filing district or use of an attorney specializing in bankruptcy cases explained less of the difference. Such factors are important, but their effects are mediated by the social-demographic factors. The authors further contend that recent changes in exemptions allowed in the bankruptcy law did not affect the numbers of filings overall or by chapter.

The high default rate among chapter 13 petitioners and other comparable characteristics, such as debt-income ratios, suggest that the choice of chapter is rather random and has little significance. It could thus be argued that a more appropriate phenomenon to examine is the choice of bankruptcy itself and the factors that might be causally linked to the actual decision to seek a legal solution to one's financial condition, regardless of the chosen chapter. Though the authors would be unable to examine this question by means of their debtors' sample alone, a matched sample of "near-bankrupt" debtors might offer an opportunity to explore the precursor states to bankruptcy more fully.

The book and its analyses make a landmark contribution, not only to the bankruptcy literature but also to our understand-

ing of how consumers utilize credit resources available in our economy. The authors' work makes possible a reevaluation of whether the bankruptcy system is being abused by some debtors who could afford to pay or by some creditors who are lax in their lending practices. The first to document and analyze several phenomena such as repeated filings, success rates for chapter 13 cases, and the distribution of cases between chapters 7 and 13, the authors found that only a few debtors (3.7% of their samples, or 56 debtors out of 1502) were repeaters and that the preponderance (70%) of the chapter 13 cases fail and became chapter 7 cases over time. The authors conclude by suggesting that bankruptcy serves as a social safety net and essentially serves those people it is designed to serve. They further suggest that bankruptcy law should be a fair balance between debtor and creditor. To give favor to either party would necessitate change in our overall credit system.

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Biomedical Progress Report

Sickle Cell Disease. CHARLES F. WHITTEN and JOHN F. BERTLES, Eds. New York Academy of Sciences, New York, 1989. xiv, 477 pp., illus. \$119. *Annals of the New York Academy of Sciences*, vol. 565. From a conference, Bethesda, MD, April 1988.

Although sickle cell anemia was among the first illnesses to be understood on a molecular basis, our detailed knowledge of its etiology and pathogenesis has not brought us very far toward a cure, or even an effective management strategy. There is hope for the future, however, as described in this book, which contains the proceedings of a conference held under the joint sponsorship of the National Association for Sickle Cell Disease and the New York Academy of Sciences. The list of contributors includes eminent scientists and clinicians from around the world, and the papers cover a wide range of topics.

The international scope of sickle cell research is underscored in this volume by contributions from countries where the sickle gene is more prevalent than it is in the United States and where other traits that are common can materially influence the course and severity of sickle cell disease. Patients from India, for example, have a mild form, and this correlates with a higher incidence of deletion alpha thalassemia and higher fetal

hemoglobin levels than are found among patients in Jamaica, where the degree of anemia and the frequency of pain crises is much higher.

The papers dealing with the molecular genetics of hemoglobin report notable progress. It is now possible to determine whether a 10-week-old fetus in utero is likely to have homozygous sickle cell disease by using DNA from a small sample of chorionic villus. The controls governing the expression of the cluster of globin genes on chromosome 11 are becoming better understood. This region of the genome codes for the synthesis of the mutant beta chain in sickle cell disease, and also for the gamma chain of fetal hemoglobin. If it were possible to prevent or reverse the switch from fetal to adult hemoglobin around the time of birth, the hazards of inheriting a double dose of the sickle cell mutation would be greatly reduced. An ultimate treatment strategy for the disease would be to remove some marrow cells from the patient, incorporate into them a message for normal beta globin, ablate the remaining marrow cells, and repopulate the empty marrow space with the patient's "retrained" red cell precursors. Some of the hurdles that lie in the way of progress toward such a genetic cure are reported in this volume.

Other papers describe the consequences for the red cell, the patient, and the patient's family of the single nucleotide substitution that is the etiology of sickle cell anemia. The abnormal hemoglobin causes alterations in the structure of both the lipid and the protein components of the red cell membrane, and there are consequences for ion transport that seem to confound the sickling tendency by making the cells vulnerable to solute and water loss. These membrane effects cause the cells to become sticky or desiccated and apt to obstruct the flow of blood to any organ in the body, with consequences ranging from strokes to priapism to the immunodeficiency state that accompanies the loss of splenic function in infancy.

The physical chemistry of hemoglobin polymerization is considered in several papers, and there is a consensus that any maneuver that would decrease the concentration of hemoglobin S in the red cell—even by a few percent—could reduce the sickling tendency. It is reported in this volume that a feasible way to dilute hemoglobin S is to treat sickle cell patients with certain antileukemic agents like azacytidine or hydroxyurea that seem to alter the kinetics of red cell production. In some cases there is an amelioration of symptoms and an improvement in the anemia, as the red cells with the highest hemoglobin S concentration are replaced by a new cohort of cells in

which the hemoglobin S is diluted out by fetal hemoglobin.

The advances described in this book exemplify how investigation of a natural mutant can contribute to general knowledge and how advances in basic scientific research can be brought to bear on a debilitating disease that afflicts 50,000 Americans and many others throughout the world.

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Guppies and Their Kin

Ecology and Evolution of Livebearing Fishes (Poeciliidae). GARY K. MEFFE and FRANKLIN F. SNELSON, JR., Eds. Prentice Hall, Englewood Cliffs, NJ, 1989. xxvi, 453 pp., illus. \$50. Prentice Hall Advanced Reference Series.

The first report of an all-female species of vertebrate appeared in the pages of *Science* in 1932. The discoverers of this fish appropriately named it the Amazon molly, on the basis of mythology rather than geography. Over 50 years later, as is pointed out by Jack Schultz in his review of unisexual poeciliids in this volume, many biologists are still surprised to learn of this departure from "normal" reproduction by a vertebrate. Surprises continue to be mined from the fascinating family of fish that includes the Amazon molly. For example, Klaus Kallman reviews his recent studies of allelic variation at a single gene that is associated with tremendous differences in size and age at sexual maturity in males of several species of platyfish and swordtails.

The poeciliids are an exceptionally appropriate subject for such a book. Stocks of poeciliid fishes have been maintained in laboratories and used in genetic studies since the early 1900s, as long as *Drosophila* and the laboratory mouse. Poeciliids also have played a central role in investigation of several important evolutionary and ecological topics (among them unisexuality, sexual selection, and the evolution of life history traits). Poeciliids have the added advantage of being familiar to all biologists, given how many people have at some time in their lives had a tank of guppies or swordtails. My son continues to be amazed by the female guppy in his bedroom that has been regularly producing healthy broods in the absence of male companionship for over four months.

Meffe and Snelson have combined 19 chapters from most of the top workers in the field to review and synthesize the widely scattered literature on poeciliids, and also to