Summary

One hundred years ago this month, Mark Twain returned to America after an extended world lecture tour, undertaken at age 60 to bring him out of bankruptcy. Remembering his example of personal responsibility is important at a time when too many Americans are taking advantage of loose bankruptcy laws to avoid paying their debts.

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On the stage, Twain delivered in his distinctive drawl the same basic talk at each of his stops: a humorous, ironic lecture on how people might develop moral character by committing all “462 crimes possible.” He illustrated each of these “sermons” with sketches and tales from his work, including passages from “The Adventures of Huckleberry Finn” and his famous short story, “The Celebrated Jumping Frog of Calaveras County.”

By the time he returned to America, Twain had earned enough money to repay his failed firm’s creditors in full. He was hailed nationwide in the press and on the streets. Under the headline, “The Hero as Man of Letters,” the New York Times editorialized that Twain “has shown that the American standard of honor goes beyond the standard set by the law.”

One hundred years later, the American standard—both of honor and law—unfortunately has fallen from what it once was. Today, despite a strong economy and low unemployment, bankruptcy filings are reaching record highs. This year alone, an estimated 1.3 million Americans will file for bankruptcy, many of those filers being reasonably well-off individuals attempting to avoid financial responsibility or shift the costs of extravagant lifestyles onto creditors.

But it is consumers who ultimately pay for unbridled and frivolous bankruptcies. Each year, creditors pass on the cost of roughly $40 billion in debts discharged under loosened U.S. bankruptcy laws to consumers in the form of higher interest rates and finance charges. According to Michelle J. White, a professor of economics at the University of Michigan, the average borrower pays almost $500 per year to cover lenders’ bankruptcy losses.

Bankruptcy reform legislation that passed Congress earlier this year attempts to limit frivolous bankruptcies but falls far short of the mark, White notes in a recent article for the Washington, D.C.-based Cato Institute. She recommends a streamlined system that would require filers to repay debt both from current assets and from a portion of their future earnings, rather than being able to choose between the two as they can now. Such a system would limit borrowers’ incentive to file bankruptcy in order to avoid debts they racked up and never intended to repay.

Raising “the standard set by the law” certainly would help curb bankruptcy abuses. And following Mark Twain’s example of personal integrity and responsibility would go a long way toward restoring the “American standard of honor.”

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