
INTRODUCTION

When I began researching this book several years ago, saving money was not the sexiest of topics—certainly not in America. Policymakers here have long emphasized *consumption* as the driver of the economy, while historians prefer to write about the rise of our vibrant consumer culture. But recently the issue of saving has become maybe too exciting. Despite a booming economy, household saving rates sank to near-zero levels by 2005. Three years later, the U.S. economy experienced a housing and financial meltdown from which we have yet to recover. Americans now contend with massive credit card debt, declining home prices, and shaky financial institutions. It has become painfully clear that millions lack the savings to protect themselves against foreclosures, unemployment, medical emergencies, and impoverished retirements.

As American families ponder their next move—whether to spend, save, or borrow—they might consider the very different ways in which other advanced capitalist nations behave. In Germany, where households sock away much more than Americans, saving *is* sexy. That's how we may translate "*Geiz ist geil!*" the wildly successful advertising campaign run by the electronics chain Saturn between 2002 and 2007. The message offended some because it could also be rendered, "Stinginess Makes Me Horny!" Yet for many Germans, the slogan playfully affirmed their frugal, often stodgy approach to consumption. In Japan, which until recently boasted the world's highest household saving rates, saving was rarely sexy. But it has been stylish. The pert, modern housewife demonstrates her cleverness by controlling the family's spending and boosting savings. Once while shopping in a Tokyo department store at the end of the year, a thought occurred to me. Americans would also be at the stores, each buying hundreds of dollars worth

2 INTRODUCTION

of Christmas presents. Mired in recession, Japanese shoppers demonstrated more restraint. What instead flew off the shelves were brightly colored “household account books,” ledgers used for saving and economizing in the New Year. Some seven million were annually purchased at the time.

Americans first became aware they had a savings problem during the 1980s. The rise of Japan came as a shock to Americans. As the United States wallowed in stagnation, the economic juggernaut across the Pacific seemed poised to overtake us. Americans talked openly about their country’s shortcomings. We’d lost our work ethic; high divorce rates were destroying families; and once-great cities rotted. The nation’s low saving rate was the source of considerable handwringing. As people saved less, the U.S. economy suffered from a dearth of investment capital. Meanwhile, Japanese people not only worked incredibly hard, they saved huge portions of income. Accused of “excessive saving” and living in “rabbit hutches,” they appeared frugal to the point of fanaticism. Japanese household saving rates reached 23 percent in the mid-1970s. This occurred during sky-high inflation, when economic theory predicts that people should save less, not more. Benefiting from the ready supply of low-cost capital, Japanese manufacturers ran circles around their American rivals. Japan would be followed by the rise of other high-saving economies in South Korea, Taiwan, Singapore, and Hong Kong. Then came the biggest one of all—China, which currently boasts a household saving rate of roughly 26 percent. By the first decade of the twenty-first century, those in charge of the U.S. economy spoke disapprovingly of a global “saving glut” exacerbated by Asians who oversaved and underconsumed.¹

For the last three decades, economists have endeavored to explain why Asians save so much and Americans so little. High growth in Asia has surely been one factor. Consumption tends to lag behind sharp gains in household income. One would not expect such saving in a mature economy like the United States, economists reasoned. In addition, Asians recorded higher saving rates because they had younger populations hard at work and saving for the future. In Western societies, where larger portions of the population were older and retired, households presumably were spending down their accumulated assets. An-

INTRODUCTION 3

other incentive to save in Asia was said to be the lack of welfare states. Knowing they could expect few benefits from the government, families engaged in higher levels of “precautionary saving” to deal with emergencies and old age. Some economists and political scientists further considered the impact of Asian institutions that single-mindedly mobilized popular savings—notably the mighty Japanese system of postal savings.²

It has also been tempting to fall back on “culture” as an explanation. Aren’t Japanese, Chinese, and Koreans traditionally thrifty because of a shared Confucian-Buddhist heritage? None other than Alan Greenspan recently weighed in on the issue. The former Federal Reserve chairman blamed Asian savers for investing in America’s catastrophic housing bubble. Chinese saving rates soared because “consumption restrained by culture and inadequate consumer finance could not keep up with the surge of income.”³

Such cultural explanations have serious limitations. My colleague Nell Irvin Painter once observed that somehow only women have gender, and only black people have race. And apparently, I would add, only non-Western peoples have “culture.” The fact is that Americans, too, are constantly shaped by culture and subcultures—those commonly held understandings of what’s good or bad, prudent or reckless, savvy or stodgy. We must explain not only why East Asians save so much, but how powerful norms contribute to the free-spending propensities of Americans. Why not invert Greenspan’s words? In the United States, consumption—stoked by a *culture of instant gratification* and fueled by *excessive* consumer finance—*surpassed* families’ incomes and decimated savings.

It is equally problematic to assume that Americans are the standard-bearers of “Western” culture. Viewed from a global perspective, American thriftlessness is far from the norm. As indicated in table 1, several European nations have also saved at high rates over the last three decades. They still do, despite slow growth, aging populations, generous welfare states, and other factors that are supposed to *diminish* saving. In fact, leading European economies save larger portions of household disposable income today than the Japanese and South Koreans. American economists and business writers seldom refer to high saving

4 INTRODUCTION

Table 1 Net Household Saving Rates, 1985–2008 (Percent of Disposable Household Income)

	Japan	USA	UK	France	Germany	Italy
1985	16.5	8.5	6.9	10.2	12.1	21.5
1990	13.9	6.7	5.6	9.2	13.7	21.7
1995	11.9	5.7	6.7	12.7	11.0	17.0
2000	8.8	3.0	0.1	11.8	9.2	8.4
2005	3.9	1.5	-1.2	11.4	10.5	9.9
2008	2.3	4.2	-2.8	11.6	11.7	8.2

Source: OECD. See appendix for notes and other countries' saving rates.

in Europe, perhaps because it so subverts our notions of a shared transatlantic culture and the triumph of Americanization.⁴ An “Irresistible Empire” is how one historian describes American consumer culture and its supposed embrace by Europeans after World War II.⁵ However, in their savings and consumption patterns, Europeans and East Asians resemble each other more closely than they do Americans over the past century. By nearly every measure, the United States jumps out as exceptional in its low saving and turbocharged consumption. Irresistible to itself no doubt, but not necessarily to others.

What brings together the high-saving societies of Europe and East Asia is not a common heritage, but rather a common modern history. This book tells the global story of how nations molded cultures of saving that have proven remarkably enduring in several advanced economies. Beginning around 1800, social reformers and governments became preoccupied with creating prudent, self-reliant citizens who saved their earnings. Nineteenth-century proponents called this “organizing thrift.” To encourage “humble” folk to save, they established philanthropic savings banks and later post office savings banks. These institutions offered small savers safety, convenience, and attractive interest rates. Moral suasion figured prominently. To inculcate habits of thrift in the young, governments in the West and Japan next established school savings banks. Every week, pupils would deposit pennies, *centimes*, or Japanese *sen* in their special accounts. In the pantheon of virtues we term “Victorian,” thrift occupied an exalted station. Many of the world’s

INTRODUCTION 5

famous writers were unabashed champions of popular saving. We will encounter Daniel Defoe, Charles Dickens, Diderot, the Japanese writer Saikaku, and of course Benjamin Franklin. Samuel Smiles, the Victorian moralist who penned the best sellers *Self-Help* and *Thrift*, reached audiences throughout the world.

By 1914, the world's great powers regarded thrift as not simply good for the soul and society, but as a matter of national survival. During the two world wars, the belligerents ran highly intrusive savings campaigns to finance the unprecedented demands of protracted warfare. Populaces were harangued to curb consumption and deposit their earnings in "national savings"—small-denomination government bonds, national savings certificates and stamps, and postal savings. Although World War II ended in 1945, savings campaigns did not. With victory in sight in the war's final months, officials in Britain feared the public would stop saving. Exhorted to "Keep on Saving," Britons were told that saving and investment, not renewed spending, would be key to postwar recovery. From Europe to Japan, in war and in peace, savings campaigns formed an inescapable feature of everyday life during the 1940s and 1950s. Thereafter, entrenched cultures of thrift—in tandem with newer ideologies, notably environmentalism—continued to restrain the expansion of consumption and consumer credit in ways seldom seen in the United States. Elsewhere, states in East and Southeast Asia emulated Japan's successful developmental model, mobilizing domestic savings to finance rapid economic growth.

Beyond Our Means interweaves the history of savings promotion in Europe, the United States, Japan, and other Asian nations. It is more than a comparative study of disparate national cases. For that matter, this is more than a book about saving. I contribute here to the emerging field of transnational history. Although Japanese and Germans love to talk about thrift as part of their national character, nations do not save simply because of indigenous traditions. The similarities in savings institutions and campaigns across the globe are far from coincidental. They have resulted in large part from transnational or international exchanges of knowledge on how to organize prosperous, powerful, and stable nations. Notes Daniel Rodgers in his pathbreaking *Atlantic Crossings*, the mid-nineteenth century to the mid-twentieth was a time when

6 INTRODUCTION

nations systematically surveyed each other, emulating what we today call “best practice.”⁶ The encouragement of saving occupied a prominent place in transnational discussions of social and economic policy. The postal savings bank, we’ll learn, was not a peculiarly Japanese institution, but one of the hottest social policy innovations of the nineteenth century. It began in Britain and Belgium before being adopted by Japan. Postal savings systems soon spread throughout Europe and European colonial empires.

Efforts at transnational history center on the Atlantic world. *Beyond Our Means* offers a more global narrative. The story of modern thrift unfolds on several continents—Europe, North America, and Asia—and energetically travels among them. The vectors of diffusion do not flow in one direction, from the so-called European core to the non-Western “periphery.” Japanese, to be sure, avidly borrowed from the West. Yet Japan acted not only as a taker but also as a *maker* of transnational knowledge. In key instances, Westerners eagerly investigated Japanese models of national mobilization and savings promotion. So would other Asian nations. In this global marketplace of ideas and institutions, emulation was always a multidirectional phenomenon. European nations studied each other; Americans frequently expressed interest in European innovations; and postwar Europeans were alternatively fascinated and repelled by American consumerism. At times the United States (or at least parts of it) encouraged mass saving as much as Europeans and Japanese. Rather than assume that Americans by nature are “exceptional,” we must therefore explain how the United States came to diverge from the concerted promotion of saving common elsewhere.

The encouragement of saving is very much a *modern* story. Historians generally write about thrift as a vestige of traditional morality—something that must be overcome before consumer revolutions can occur. In reality, the histories of saving and consumption are entwined. The rise of wage labor and a money economy in modern times permitted ordinary people both to spend and save. Indeed, concerns about mass consumption prompted reformers to urge the working poor to adopt “modern” habits—that is, to plan for the future and “rationally” budget their spending. By the late nineteenth century in Western nations and Japan, states and middle-class reformers regarded thrift as a

INTRODUCTION 7

key marker of “civilization.” Its inculcation would civilize colonial subjects, as well as people living in the slums and rural areas of one’s own country. There were also important gendered dimensions. Reformers looked to the wife to play the role of the sober saver who would stop her man from dissipating family wealth on drink and prostitution. From Victorian England to twentieth-century East Asia, new norms envisioned the “housewife” as scientific manager of household finances. In visual terms, too, the encouragement of saving increasingly relied on modern, even modernist forms. War savings campaigns were at the forefront of new techniques of mass propaganda. Everywhere, citizens encountered radio spots, movie trailers, and the evocative color posters that illustrate this volume.

Before we go further, let me clarify what I mean by “saving.” This is not a book about investment by wealthy individuals and businesses. We are concerned here with the history of “small saving” and “small savers.” Small saving takes the form of deposits in banks, post offices, savings bonds, or life insurance schemes. Small savers are the working, farming, and middle-class people who make up the vast majority of any society. “Small saver” may be an unfamiliar term to Americans today, yet it was commonly used here before the 1980s. From a macroeconomic perspective, a growing economy requires savings for capital formation, but it is not particularly important how those savings are generated. A nation’s total savings are comprised of government savings, business savings, and household (or personal) savings. If the government runs surpluses and business saving rates are high, lower rates of saving by households may not be a problem. In addition, foreign savings substitute in part for domestic small savings. Over the past three decades the United States has attracted enormous savings from abroad at low interest rates. Currently the Chinese and Japanese central banks own significant portions of U.S. Treasury securities.

Nonetheless, small saving has been vital historically for reasons that go well beyond the economic. Politically, countries like Japan and France regarded the small savings of their people as crucial to maintaining autonomy from foreign creditors and to investing in national power. Their strategic approach gained wide acceptance by the time of World War I. British war savings campaigns, for example, targeted the

8 INTRODUCTION

“small investor”—liberally defined as every man, woman, and child. The equation of small saving and national independence resonates less today, unless we consider contemporary American anxieties about China. Low household saving, fear some observers, has made the United States financially dependent on an authoritarian regime that is hardly a strategic ally.⁷

Above all, the encouragement of small saving was, and is a *social* policy. Nineteenth-century champions of thrift believed that a working person with savings would be less likely to depend on public assistance, turn to crime, or engage in revolution. This overriding objective of social well-being explains why savings banks and postal savings systems were typically created as nonmarket institutions. Commercial banks generally discouraged small deposits because of perceived high transaction costs. By contrast, postal savings banks and savings banks in France and Britain for decades offered depositors fixed interest rates respectively of 3 and 2.5 percent, oblivious to money market rates. These were not profit-making banks, but rather state institutions capable of paying interest directly from national treasuries to promote small saving. In an American variation on the theme, the federal government permitted savings and loan associations to offer higher interest on savings deposits than commercial banks prior to the 1980s. Although small saving as a sociopolitical goal has largely disappeared in the United States, it may be making a comeback following the Great Recession of 2007–2009. Can a society—or an economy—be strong if the majority of households lack adequate savings for emergencies, retirement, and renewed consumption?

Defining small saving is only half the problem. How do we measure whether and how much ordinary people save? This is a challenge, historically and comparatively. Calculating a nation’s household saving rates for periods before the twentieth century is of limited value. Such figures pick up the savings of wealthier investors at times when relatively few families saved money in modern financial institutions. As an alternative, I cite century-old international tabulations of the number of savings accounts per population. These numbers offer a fresh perspective on how many people actually saved in financial institutions, changes in savings behavior, and comparisons among nations. In the

years preceding World War II, economists introduced the now-familiar household saving rate. In the United States, the government's National Income and Product Accounts (NIPA) became the standard measure. In their simplest terms, household or personal savings constitute the portion of aggregate personal income not spent on current consumption. The saving rate represents personal savings divided by after-tax personal disposable income. Nothing is simple, however. The saving rate is a national-level metric and does not necessarily tell us how much the typical household saved. Interview-based surveys of household saving and spending provide useful supplements. International standardization has moreover been difficult. What counts as savings and income varies by country. Major economies have adopted a new system of national accounts since 1993, but significant deviations persist.⁸ To complicate matters, the U.S. government continually revises historical NIPA data. For example, the revised rates for the early 1980s now indicate much higher saving rates in America. Conversely, the new international standard (SNA 93) led to downward revisions of Japanese saving rates for the years since the early 1990s. This book uses the latest calibrations of saving rates, bearing in mind that people at the time may have had different understandings of how much their nations saved.

The biggest problem with saving rates, economists have long argued, is that they fail to measure increases in the value of household assets.⁹ Essentially, saving rates reflect how much people put aside, rather than the appreciation of those savings and investments. Americans own homes and stocks in much greater proportions than Japanese and most Europeans. Accordingly, insist influential economists, American savers would rank higher internationally if the statistics took into account the higher returns they receive on their assets. Net worth (household assets minus debt) may be a better metric than household saving rates. On the other hand, household net worth fluctuates more than the value of one's small savings. What goes up often comes down, as we have seen in recent stock market volatility and the collapse of U.S. housing prices. Whether we rely on household saving rates or net worth goes well beyond statistical analysis. The question is fundamental to this book. Are households better off "investing" in homes and equities in anticipation of higher returns? Or should they systematically

10 INTRODUCTION

save larger portions of income in lower-interest bank accounts and savings bonds?

Clearly people do not come to these choices with a *tabula rasa*. This is a history about how human beings intervened to influence the economic choices of other human beings. Admittedly my approach will strike economists as unorthodox, even heretical. Academic economists have been reluctant to study moral suasion. It is difficult to measure, and most economists are skeptical that individuals could have been persuaded to behave in ways that do not appear to be in their rational self-interest. Economic theory is more willing to consider that institutions might affect savings behavior, although few empirical studies exist.¹⁰ Did it make a difference in 1910 that savings banks and postal savings offices were widely accessible in Europe, Japan, and Canada, while institutions for small savers barely existed in many parts of the United States? Institutions not only influenced short-term savings decisions, but savings banks and school-savings programs also helped mold enduring cultures of thrift. These cultures in turn acted upon subsequent institutional developments. In Japan and continental Europe, for instance, political cultures long resisted American-style credit cards, fearing they would erode thrift.

I envision this book as broadening—rather than supplanting—economic analyses of saving. As specialists on international savings comparisons readily acknowledge, economic theory has not persuasively explained cross-national variations in saving.¹¹ For decades, the “life-cycle” hypothesis has held sway in American economic departments. Formulated by Nobel Prize-winning Franco Modigliani and Milton Friedman, this model posits that people calculate household income over a lifetime. As young adults, they “smooth” consumption by borrowing against future earnings to buy the things they need. Saving the most in middle age to provide for retirement, they spend down assets in their senior years.¹² American economists also broadly subscribe to Martin Feldstein’s model of national pensions’ negative impact on saving.¹³ Later the chairman of the Council of Economic Advisors under President Reagan, Feldstein theorized that Americans’ anticipation of Social Security retirement benefits depresses personal saving by 30 to 50 percent. A quick look at international saving rates severely chal-

lenges those grand theories. Here are just a few of what economists call “puzzles”:

- Germans and other continental Europeans save at high rates despite generous national pensions and comprehensive welfare programs.
- Americans live in a less secure, free-market economy. Although Social Security and Medicare cover the elderly, the general populace receives few social protections against unemployment or home foreclosure while paying much more out of pocket for health care and higher education. “Rationally” they *should* be saving up; instead they spent down until recently.
- Germans, French, and other Europeans generally maintained high saving rates over the last twenty years despite rapidly aging societies.
- The proportion of elderly in the United States and Britain is lower than in continental Europe, yet the Anglo-Americans save little.
- German and Italian adults have positive saving rates at all ages, including the retirement years, whereas elderly Americans dissave.
- U.S. saving rates declined during the 1990s amid impressive *growth* in incomes, while several European nations maintained high saving rates despite slow growth.

These puzzles lead thoughtful specialists to fine-tune their models, considering such factors as variations in national pension schemes.¹⁴ But do the economists protest too much? Could it be they’ve missed qualitative, normative elements that significantly shape saving and spending in each society?

Any analysis of why people have saved over the past two centuries must consider a multitude of motivations that go well beyond what economists can measure.¹⁵ The American media imagines that households save almost entirely for retirement. That assumption underlies the life-cycle hypothesis, as well as tax breaks given for retirement savings plans but not for other forms of saving. In actuality, the concept of retirement—the long period between working and death—is only about a century old in the United States, and just a few decades old in

12 INTRODUCTION

East Asia. Even today in advanced economies, households commonly save for shorter-term goals like unanticipated emergencies and purchasing consumer durables and homes. For millions of lower-income Americans, finding the money for car repairs is of more immediate concern than planning for the senior years.

Then there are the less tangible, yet powerful, motivations that have guided saving in modern times. Many save in part to achieve “independence” from creditors, employers, or relatives—much as Benjamin Franklin advised two and half centuries ago. Economists tend to study saving as an individual or household act, but we will also encounter numerous cases around the world in which people save to impress others. The Victorian gentleman was expected to be thrifty. A Japanese housewife improved her social status by prudently managing her family’s finances while teaching other women in the neighborhood association how to keep household account books. In many times and places, the prosperous dared not consume too conspicuously or in environmentally wasteful ways lest the wrath of society fall upon them. Nationalism, too, has motivated saving, and not just in wartime. Untold numbers of Germans, Japanese, and Singaporeans will tell you they save because it’s in their national character. Thrift forms an integral part of their identity—a defining trait they often invoke to distinguish themselves from consumption-addicted Americans. And of course savers have long regarded themselves as virtuous. In religious terms, the “Protestant Ethic” comes to mind, although other religions encouraged frugality as well. Likewise, the self-disciplined “millionaire next door” regards himself as morally superior to his hedonistic consumerist neighbors. Thrift moreover infuses secular environmentalism and Christian ideals of “stewardship.” Adherents of both believe themselves ethically obligated to spend modestly and conserve resources for the greater benefit of humankind.¹⁶

To a certain extent these attitudes vary by individual. Some seem born to shop, others to save. Yet the episodes in this book suggest that individual motivations have themselves been shaped by larger cultural norms and social relations. Historically, governments, institutions, and groups worked hard to sell populaces on the virtues of saving. Subfields of economics have tackled sociocultural aspects of saving with varying

INTRODUCTION 13

degrees of success. Invaluable has been the work of development economists. Relying on extensive interviews, the best of these studies survey how poor people actually save and borrow in developing countries in Africa, Asia, and Latin America. Their findings mesh well with the historical evidence presented here from Europe and East Asia. Where formal financial institutions are absent or weak—then and now—villagers and neighbors often organize savings clubs, or savings and credit associations. In social terms, peer group pressure may result in higher levels of saving than individuals could achieve on their own. At the same time, depositing money with a group or in an institution enables individuals to *overcome* social obstacles to saving by safeguarding their money from husbands or relatives who might otherwise spend it. The development economics literature also demonstrates the importance of popular access to safe, convenient financial institutions. What was true in Japan one hundred years ago is true in South Africa today. People save more when they can trust that their money is secure in a nearby bank or post office.¹⁷ Within the United States, social welfare experts have similarly deepened our understanding of saving by lower-income households.¹⁸

The emerging field of behavioral economics also offers fresh insights on the human dimensions of saving. Drawing on psychology and its experimental methods, the behavioralists provide a long-awaited corrective to mainstream economic models that assume people always make “rational choices.” Households don’t necessarily calculate lifetime income and save and consume accordingly. They may intend to save, but they succumb to procrastination and spend what they have. In the words of the economist, they exhibit “self-control problems.” The key then is to devise schemes that make saving the default, not the last option after borrowing and spending. Like development economists, behavioral economists confirm many of the historical experiences in this book. People will save more when automatically enrolled in savings plans at the workplace or in groups. They are more likely to accumulate when engaged in “commitment saving” in Christmas Clubs or college savings accounts. Because one’s level of financial literacy affects behavior, programs of financial education in high schools and workplaces appear to stimulate greater saving. Unquestionably, institutions

14 INTRODUCTION

matter. Individuals tend to spend cash more readily than savings in the bank.¹⁹

For all the promise, behavioral economics has its methodological limits. The discipline necessarily examines savings behavior but not how people *think* about saving. Subjects are assumed to have entered surveys and lab experiments with no preconceived notions that might have been formed by history, society, and culture. They are presented simply as human beings. Most behavioral economic research in fact occurs in the United States, often relying on unrepresentative subjects including students at elite private universities. Might not the results be different if we experimented on Belgians or Japanese who for generations have been exhorted to save? Indeed, behavioralists are no more likely to study the impact of moral suasion campaigns than are other economists. “Paternalistic libertarianism” is how Richard Thaler, dean of the behavioral economists, describes his position. He’s a paternalist in devising schemes to encourage saving, yet libertarian in opposing efforts to tell citizens what might be good for them.²⁰ This strikes me as a bit disingenuous. Americans may save little not just because they are human beings. As we shall see, they have long been socialized *not* to save by legions of advertisers, finance companies, political leaders, and even neighbors. Elsewhere, moral suasion has been an important factor in molding cultures of saving. The United States, too, experienced successful campaigns that altered behavior, notably those that discouraged smoking and promoted seatbelts—not to mention the war bonds drives of World War II.

If we are to think creatively about the financial plight of American households and the possible remedies, why stop at the border? Why confine ourselves to the present? In this study, the global history of the past two centuries shall be our laboratory. When I talk to people from other nations, they are bewildered by everyday financial practices we take for granted. Recently a visiting Italian colleague had difficulty understanding that her American bank’s ATM card was a debit card, not a credit card. We usually obtain credit cards independently of our local bank, I explained; we go online or respond to mailed solicitations. But how, she asked, do you pay your credit card bill each month? Well, I replied, we send a check or transfer funds to some address in South

INTRODUCTION 15

Dakota or Georgia. “That makes no sense,” said she. True, it wouldn’t make sense to Italians or Germans, who rarely encounter an American-style credit card. Their “credit cards” are almost always issued by their bank, and are paid off each month from funds in one’s bank account. But “what would happen,” my colleague wondered, “if you didn’t have enough money in your account to pay the credit card bill at the end of the month?” That’d be no problem, I assured her, because half of the country doesn’t pay in full and borrows the balance from the card company; besides the companies encourage customers to go into debt because their profits lie in high interest charges. Again she shook her head, “That *really* makes no sense.”

I was loath to tell my friend that to most Americans, neither she nor her country makes any sense. According to our economists, Italy is plagued by “imperfections” in its financial markets.²¹ Far from helping people to save and avoid overindebtedness, the Italian system apparently punishes consumers by restricting their access to credit and denying them richer lives. So, who’s right? When societies with such fundamentally different assumptions cohabit the capitalist world, surely we require a more historical understanding of how these rival cultures of saving and debt came to be. This book is dedicated to making sense of it all.