

## **The Moral Accounting of Debts: Productivity, Deservingness, and the Consensual Creation of Chapter XIII Bankruptcy**

Chapter XIII's wage-earner payment plans are now the default form of personal bankruptcy in the United States. During the Great Depression, it was created as a voluntary choice and enacted with unanimous legislative support. Absent conflict between creditors and labor and social reformers, legislators agreed that Chapter XIII was for the benefit of both honorable insolvents and their fair creditors. How did wage-earner payment plans emerge out of a consensual legislative process? Employing a computational abductive approach on a wide range of legislative, media, and bankruptcy records, I show that Chapter XIII's creation was facilitated by a "moral accounting" that, based on their race and gender identities, positively evaluated most white men bankruptcy petitioners as "deserving", even as it recognized occupational variations in their economic "productivity." This study highlights how racial discourses of "deservingness" are central to the construction of credit markets as part of America's submerged welfare state.

### *Keywords:*

Historical sociology, law, moral norms, stratification, credit & debt

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Credit is central to economic citizenship in the United States. Policymakers facilitated the expansion of credit markets to spur economic growth and allow individuals to provide for themselves (Quinn 2019). Even as this helps to avoid conflicts over "deservingness" as in welfare (Fox 2012; Hyman 2011), researchers have illuminated how race and gender intertwine with "creditworthiness" (Krippner 2017; Robinson 2020). Scholarship generally focuses on credit provisioning, while few studies examine bankruptcy as a lens into the intersection between credit and welfare policy (Mettler 2011). This is surprising because bankruptcy encapsulates distributional tensions in the political economy. It mediates the property rights of creditors and debtors by prioritizing the distribution of debtors' assets to creditors before releasing them from future debt collection efforts. The United States' first stable bankruptcy law was enacted in 1898 after a conflictual political debate (Kagan 1984).

Yet in debates leading to the enactment of the 1938 Bankruptcy Act, legislators focused on how to help honorable insolvents pay their honest creditors, not whether creditors or debtors should bear the risks of debt. The 1938 Act reconfirmed that wage-earners could receive an immediate discharge of their debts (Chapter VII bankruptcy). Policymakers also created a court system where insolvents could voluntarily pay their creditors for three years before receiving a discharge (Chapter XIII bankruptcy). Past scholars find that creditor and legal interest groups advocated for Chapter XIII's creation (Hansen and Hansen 2020; Skeel 2001). Yet philanthropic and labor organizations did not oppose Chapter XIII, despite the reduction of debt relief under the payment plans. Shepherded through the legislative process by Tennessee Representative Walter Chandler, the 1938 Act was enacted on a unanimous basis and was signed into law by President Franklin D. Roosevelt. If interest group explanations are insufficient to explain the creation of a key piece of federal credit policy (Clemens 1997), we should examine how social actors and policymakers conceived of bankruptcy. How did wage-earner payment plans (Chapter XIII) in bankruptcy emerge out of a consensual legislative process in the midst of the Great Depression?

Scholarship on credit and welfare suggests that bankruptcy reforms may alternatively be politically light or conflictual. Bankruptcy is an institutional basis of the generalized trust necessary for market credit (Beckert 2016; Guseva and Ron-Tas 2001). As a credit regulation, bankruptcy may be a politically light tool that allows policymakers to avoid conflicts over taxation and spending while promoting economic growth (Quinn 2019). Socio-legal scholars have theorized bankruptcy to be part of the privatized American welfare state through granting insolvent individuals a "second chance" to provide for themselves in markets (Sullivan et al. 2000). This suggests that bankruptcy will be contentious. Research on welfare demonstrates that

concerns that racially “undeserving” individuals will receive aid engenders political conflict, even as policymakers ensure relief for the “deserving” (Steensland 2006; Wetts and Willer 2018). Racialized determinations of “creditworthiness” also influence the parameters of credit market expansions (Robinson 2020), though it is less clear how this shapes insolvents’ moral obligation to pay debts (Graeber 2011). It raises the question of when personal bankruptcy and wage-earner payment plans are a consensual, rather than contested, part of the political economy.

I contend that to understand the creation of Chapter XIII bankruptcy via unanimous consent, we need a “moral accounting” approach that examines social actors’ schemas of bankruptcy petitioners’ “deservingness” for debt relief, as well as whether they were economically “productive” enough to be reintegrated into credit markets. This study employs data on legislative speeches and hearings, media, and trade journals, alongside a sample of bankruptcy petitions from 1925 to 1935. Through abductive qualitative and computational analyses (Karell and Freedman 2019), this framework reveals that Great Depression Era lawmakers aimed to revive the American economy by expanding credit access to productive workers (Hyman 2011), while aiding the victims of external catastrophes (Dauber 2013). I argue that the 1938 Act was enacted through a consensual legislative process because wage-earner petitioners were disproportionately deserving white men who would benefit from bankruptcy protections. Yet the law also created a voluntary Chapter XIII so that economically productive manufacturing workers could fulfill their moral obligation to pay creditors. By contrast, deserving yet unproductive insolvents could opt for an immediate debt discharge.

Bankruptcy remained politically uncontentious only as long as undeserving low-status workers and racial minorities remained absent among bankruptcy petitioners. Though post-World War II petitioners rarely elected to reduce their debt relief via participation in Chapter

XIII, the democratization of credit and the late twentieth century rise in the number of Black petitioners shifted the politics of bankruptcy. This partially-realized legal project was extended in the 2005 Bankruptcy Act (Schneiberg 2007), which instituted a means-test to Chapter XIII. In the contemporary United States, Chapter XIII is the default form of personal bankruptcy, and it reduces average levels of debt relief, especially for Black petitioners (Braucher et al. 2012).

These findings extend our understanding of modern liberal welfare states by detailing how moral discourses shaped the construction of personal bankruptcy law (Mettler 2011; Prasad 2012). In contemporary markets, personal creditworthiness is overwhelmingly discussed in terms of individual risk (Fourcade and Healy 2017). Yet lawmakers also draw upon discourses of deservingness in bankruptcy discussions that are similar to those in welfare (Steensland 2006; Wiedmann 2021). These dimensions interact to shape a moral evaluation of whether insolvents can be voluntarily rehabilitated or need to be punished and how much debt should be paid to past creditors before they re-enter markets. In comparison to welfare relief, even for the deserving, bankruptcy does not sever borrowers' moral debt to lenders. Therefore, even as the state's symbolic authority is essential to produce the generalized trust necessary for credit markets, wage-earner payment plans in bankruptcy ultimately tighten the link between credit access and economic citizenship (Krippner 2017; Polillo 2011).

This study also contributes to research on credit by uncovering how petitioners' race and gender identities contribute to the conflictual versus consensual nature of bankruptcy legislative debates (Robinson 2020; Wherry and Chakrabarti 2022). Most low-skill and service workers, as well as women workers, and Black, Mexican, and Chinese workers, were seen as ambiguously undeserving and unproductive in bankruptcy (Fox 2012). Women and people of color were also seen as uncreditworthy in the early twentieth century (Olney 1998). The extension of credit to

white men whose loans were collateralized by labor or land meant that insolvent debtors were mostly deserving white manufacturing workers and farmers seen as central to the nation (Gourevitch 2015). Nevertheless, racial and gender schemas were rarely interpreted as stand-alone categories in bankruptcy discussions, but alongside and through understandings of occupational groups.

### **Schemas in Bankruptcy Discourse**

#### *At the Intersection of Credit Markets and the Welfare State*

States determine the parameters of economic citizenship (Marshall 1950). Directly, governments provide for citizens' needs through welfare. The structure of the welfare state shapes for whom and the extent to which social inclusion is independent of markets (Esping-Anderson 1990:21). States also promote the expansion of credit markets through developing property rights that facilitate the rational calculation of risk (Carruthers 2022:50-80). In the American case, credit markets were constructed as a "politically light" tool to promote economic growth, while helping individuals provide for themselves (Quinn 2019:11-18). The United States also constructed a privatized welfare state in which individuals' life chances remain closely tied to their position in markets (Esping-Anderson 1990:48-53; Prasad 2012:227-45). Credit market expansions' ability to obviate distributional conflicts has led the citizen-borrower, rather than the citizen-worker, to become central to modern American economic citizenship (Krippner 2017:3).

Welfare is often politically contentious because of concern that undeserving individuals will receive benefits (Wetts and Willer 2018). There are continual efforts to delineate who is morally justified to receive benefits apart from work (Steensland 2006). For instance, Skocpol (1992) details successful efforts to provide pensions for deserving Civil War veterans, as well as

the partial construction of a maternalist welfare state to provide for widowed mothers and their children. During the Great Depression, policymakers maintained the distinction between the undeserving on public assistance due to their own failings, versus the deserving who needed insurance to survive life's risks (Katz 1986:242-52). Deservingness aligns closely with recipients' race. Southern and Eastern European immigrants were classified as white and were largely deserving of government relief, irrespective of their citizenship status. By contrast, Black Americans were believed to not require relief, while Mexicans were viewed as dependent on the government dole (Fox 2012:281-90).

Though New Deal policies were officially race-neutral, they were constructed in ways that privileged white male farmers and workers. The Agricultural Administration Act of 1933 subsidized predominantly white, land-owning farmers in order to soften the effects of low crop prices (Gerstle 2015:200-10). Both early worker relief efforts, such as the Works Progress Administration, as well as old-age insurance in Social Security, were oriented towards white male workers with dependent wives. Occupational exclusions for farm and domestic work meant that the majority of European immigrants were eligible for Social Security at the time of its enactment, unlike most Black Americans and most women workers (Fox 2012: 95-123, 188-213, 250-80). Welfare remains intertwined with social categories and labor market participation, with stingier programs for women and children (Mettler 1998:143-75). Efforts to expand welfare benefits to the undeserving engenders political contestation.

Despite the political lightness of credit, cultural discourses shape who is trustworthy of receiving credit. Market lenders rely on "fictional expectations" of payment with interest. Given uncertainty, lenders turn to institutions, norms, and networks to determine which borrowers' prosperous economic futures make them good risks (Beckert 2016:6-14). This means that the

democratization of credit in the United States has not resulted in equitable credit access and cost, but rather morally-justified stratified outcomes (Fourcade and Healy 2017). These processes also influence the political construction of credit markets. From its creation during the New Deal through the 1950s, the Federal Housing Administration (FHA) deemed non-white areas high risk, thereby excluding people of color from FHA-insured mortgages. This forced Black Americans to rely on expensive uninsured mortgages (Rothstein 2017:39-58). The “constitutive whiteness of credit” is apparent (Robinson 2020:975) in 1970s FHA attempts to subsidize loans to build rental housing for Black people. These efforts were misaligned with racialized standards of creditworthiness and collapsed due to criticism of unsound financial management. Credit market expansions have the potential to be bogged down in distributional conflicts if they facilitate credit access to the uncreditworthy (Wherry and Chakrabarti 2022). However, it is unclear how these findings extend to bankrupts who already obtained credit.

Scholarship on credit and welfare does not answer the puzzle of when bankruptcy will be a contested, as against, consensual part of the American liberal welfare state. Bankruptcy legally rationalizes the creditor-debtor relationship by organizing creditor claims to insolvent debtors’ assets (Skeel 2001:5-11). In doing so, it mediates creditors and debtors’ conflicting interests in their failed exchange. As such, bankruptcy is a fundamental part of credit policy. It has also become central to America’s liberal welfare state, through allowing individuals a second chance at providing for their needs in credit markets (Sullivan et al. 2000:260). These frameworks do not explain why New Deal Era legislators agreed to reform America’s bankruptcy statute on a consensual basis. The unanimous enactment of the 1938 Bankruptcy Act aligns with perceptions of bankruptcy as a “politically light” feature of credit markets. Nevertheless, if bankruptcy was

seen as similar to welfare, then research on deservingness suggests that it would be contested, as policymakers ensured that the undeserving did not benefit from debt relief.

Additionally, there was puzzlingly little conflict over the creation of a voluntary wage-earner payment system as part of the 1938 Bankruptcy Act. Under the original Chapter XIII, debtors paid creditors under court supervision for three years before receiving a final debt discharge. Relative to Chapter VII's immediate discharges, it reduced average levels of debt relief (Braucher et al. 2012:394-5). Research on welfare suggests that policymakers would ensure that the deserving obtained needed relief (Steensland 2006). By contrast, credit scholarship notes that debtors have a moral and economic obligation to repay their creditors (Graeber 2011). When individual discretion to choose Chapter XIII versus Chapter VII was reduced as part of the 2005 Bankruptcy Abuse Prevention Consumer Protection Act (BAPCPA), there were moralized discussions over whether the “declining stigma” of bankruptcy led debtors to use bankruptcy to undeservedly slough off their debts (Sullivan et al. 2006). In support of the reform were creditor groups, such as the American Bankers Association and the National Retail Federation. In opposition were unions and consumer groups, including the United Auto-Workers, AFL-CIO, and Consumer Law League. The 2005 Act passed the Senate 74-25 and the House 302-126, with majorities of Democrats in opposition. It was signed into law by President George W. Bush (Hansen and Hansen 2020:140-7). By contrast, in legislative discussions over the 1938 Act, major unions, philanthropic, and creditor groups all expressed support for a debtor payment system in bankruptcy *for the deserving*. The creation of a voluntary wage-earner payment system did not emerge from a political compromise between conflicting interest groups (Clemens 1997). How did Chapter XIII emerge out of a consensual legislative process?

## *The Moral Accounting of Bankruptcy During the Great Depression*

I contend that a moral accounting approach that asks whether the insolvent *should have* paid creditors in the past (deservingness), as well as whether he/she *will be able* to pay creditors in the future (productivity), is a useful ideal-type framework to understand when personal bankruptcy, including debtor payment plans, will be a consensual aspect of the political economy. Though similar to in welfare, deservingness in bankruptcy is the judgment of whether the insolvent is perceived to *have failed in markets* due to external catastrophes or his/her own irresponsibility and malfeasance. It is also a relational concept that encapsulates whether the debts were fairly contracted with the lender. In sum, does the bankrupt deserve debt relief? This interacts with an estimation of creditworthiness, which consists of whether the insolvent has the future income to pay debts and is a good risk for further lending. To prove that they could be trusted again, bankrupt individuals should pay their honest lenders and regain their creditworthiness. This framework suggests that Chapter XIII was created on a consensual basis due to widespread agreement that many personal bankruptcy petitioners were deserving individuals who also had the labor market position needed to regain their creditworthiness.

Depression Era bankruptcy debates were unlike nineteenth century political conflicts over insolvency. While insolvency, or the inability to pay debts, has been historically managed through imprisonment, slavery, or debt jubilees (Graeber 2011), bankruptcy is a recent phenomenon tied to the rise of the rational bureaucratic state (Kagan 1984:340-5). Nineteenth century bankruptcy advocates contended that it would spur the market economy by providing federal government backing for the payment of debts across state lines, while facilitating insolvents' resumption of economic activity by freeing him/her from creditors' claims (Balleisen 2001:5-21). Though federal bankruptcy laws were enacted in 1800, 1841, and 1867, each law

was repealed following complaints of maladministration and a concentration of power by Eastern businesses. Democrats and Populists argued that the Bankruptcy Act of 1898 was a tool for creditors to chase down and oppress deserving debtors, including rural merchants, workers, and farmers (Skeel 2001:23-32) who were central to the nation (Gourevitch 2015). The law ultimately passed 48-14 in the Senate and 136-53 in the House, primarily with the support of Republicans, before being signed into law by President William McKinley. As a compromise, wage-earners and farmers could only file for bankruptcy voluntarily and, barring creditor proof of malfeasance, they could disburse non-exempt assets and receive an immediate discharge (Hansen and Hansen 2020:35-7).

[INSERT FIGURE 1 HERE]

In the first decades of the twentieth century, bankruptcy became an accepted part of the American political economy. Changes in the relative risks borne by creditors and debtors and defenses of the law by legal interest groups contributed to this shift (Hansen and Hansen 2020:52; Skeel 2001:44-7). In this period, policymakers also increased credit access to farmers (Quinn 2019:48-87) and urban workers (Fleming 2018:12-77). This included the enactment of the Uniform Small Loan Law in thirty-two states between 1910 and 1940. It increased usury caps to 42% per annum in exchange for enforcement against lenders who exceeded the legal interest rate. By creating the conditions for profitable market credit, reformers argued that this would drive “loan sharks” out of business while allowing the urban poor to provide for themselves apart from charity (Anderson et al. 2015). Nevertheless, Black Americans remained much less likely to obtain unsecured market credit than white Americans, and so had to collateralize their borrowing via installment plans (Hyman 2011:20-42; Olney 1998).

Credit market expansions and the moral acceptance of personal borrowing (Calder 2000:237-61) are reflected in farm and non-farm worker bankruptcy rates, which both rose from under 2 to over 7 per 10,000 between 1920 and 1935. Farmer bankruptcies also spiked in the 1920s. See Figure 1 above (Wickens 1936:8). Yet bankruptcy rates did not increase further during the Great Depression, as wage-earners who purchased goods on installment plans reduced consumption rather than experience default and repossession (Olney 1999). This is consistent with the relative dearth of attacks on oppressive creditors or spendthrift borrowers. In “fair markets” where white men were much likelier to obtain unsecured credit, scholars and legislators increasingly discussed wage-earner bankruptcies as the result of individual misfortune or malfeasance (Nugent 1931; Sadd and Williams 1933).

[INSERT TABLE 1 HERE]

To understand how credit market disparities shape who petitioned for bankruptcy protections, I transcribe and census-link 10% samples of bankruptcy petitions in three court districts from 1925 to 1935 and compare the characteristics of petitioners to the broader population. Memphis, TN and North Dakota were chosen due to the importance of their legislators in 1930s legislative debates; St. Louis, MO was selected as a comparison to a major American city. Tennessee facilitated creditor garnishment of debtors’ wages, while North Dakota made wage garnishment difficult for creditors (Hansen and Hansen 2020:56). See the Appendix for more details on data transcription and linkage. Table 1 confirms that bankrupts were disproportionately white and male. In addition to individuals and companies engaged in trade, they were also more likely to work as farmers and manufacturing wage-earners and less likely to work in service or labor occupations.

Bankruptcy was accepted as a tool to help deserving individuals who were suffering from the economic catastrophe. There were few roll call votes on wage-earner bankruptcy, as opposed to corporate and municipal bankruptcy, in during the 1930s. There were concerns about individuals suffering under crushing debts, and votes affirmed that creditors could not demand payment in gold after the United States left the gold standard (Berglof and Rosenthal 1999:51-6). In the final months of the Hoover administration during the peak of the Great Depression, Senator Daniel O. Hastings (R-DE) and Representative Earl Michener (R-MI) referenced government reports detailing fraudulent business bankruptcies to propose a bankruptcy system within the Justice Department, while also expanding business and individual debtor compositions. Legal professionals countered that switching from a judicial to an administrative system would over-concentrate power over credit markets in the federal government. The Hastings-Michener Bill died in committee without a vote. Ultimately, the 1933 Bankruptcy Amendments kept a judicial bankruptcy system and created voluntary business (Section 77), farmer (Section 75), and personal debtor (Section 74) payment systems. The final vote in the House was 207 in favor with 26 opposed. In the Senate, 44 voted in favor with 7 opposed. Advocates argued that insolvent wage-earners should be given the opportunity to pay their creditors to avoid the stigma of bankruptcy. It did not authorize the court to collect and distribute the debtor's wages to creditors and was rarely employed (Hansen and Hansen 2020:65-75).

Overall, the 1930s was a period of low partisanship, as measured by roll call votes and partisan speech, and major reforms of President Roosevelt's first term, including the National Industrial Recovery Act and Social Security, were enacted with large majorities (Gentzkow et al. 2019; Katznelson 2012:227-72). As part of the New Deal, policymakers expanded credit markets to spark economic growth and amended bankruptcy law to aid the deserving. The Federal

Housing Administration created mortgage insurance programs and secondary mortgage markets, while also encouraging unsecured lending towards individuals through loan-guarantees for banks. These efforts, as compared to direct relief through the Public Works Administration, were fiscally light and largely uncontentious. The increase in personal loan applications led lenders to focus on potential borrowers' future labor income and conceive of creditworthiness in terms of quantifiable risk rather than personal morality (Bittman 2021; Hyman 2011:46-97). By contrast, efforts to ameliorate the crisis of farm foreclosures through reforming bankruptcy law proved more challenging. The Farm Bankruptcy Act of 1934 sponsored by Senator Lynn Frazier (R-ND) and Representative William Lemke (R-ND) was supported by a bipartisan group of 60 senators, with 16 Republicans representing industrialized states in opposition (1934b). It gave farmers the ability to prevent foreclosure for up to five years while renting their property. In his signing statement, President Roosevelt claimed that this law would prevent "instances of injustice to worthy borrowers" and promote a voluntary refinancing of debts (Roosevelt 1938:332). Though it was ruled unconstitutional as an infringement on mortgage holders' property rights, it was re-enacted as the Farm Mortgage Moratorium Act of 1935 by unanimous consent (1935b). The revised Act survived judicial review (Hansen and Hansen 2002:68-9).

By the time that Tennessee Representative Walter Chandler revived a wholesale reform of the bankruptcy law, legal reformers' decision to acquiesce to a judicial rather than administrative bankruptcy system facilitated the consensual legislative process. In comparison with other reforms during the second Roosevelt administration, such the 1938 Fair Labor Standards Act, which faced defection from southern Democrats, bankruptcy did not emerge as a salient political conflict (Katznelson 2012:227-72; Mettler 1998:183-95). The 1938 Bankruptcy Act was enacted during the 1937-38 Recession at the end of the New Deal's radical moment. In

addition to creating Chapter XIII, the law eliminated equity receivership and expanded the scope of corporate bankruptcy law under the oversight of the Securities and Exchange Commission (Skeel 2001:101-29). It was enacted via unanimous consent without a roll call vote. Past research explains the popularization of personal bankruptcy as the consequence of increasing bankruptcies by farmers and wage-earners, which led Democrats to recognize the benefits of federal bankruptcy law for their constituents (Hansen and Hansen 2020:37-54). Other scholars note how legal interest groups, such as the National Association of Referees in Bankruptcy, tapped into longstanding pro-debtor ideology in the United States to advocate on behalf of bankruptcy (Skeel 2001:98-100). Both accounts align with scholarship that emphasizes how the implementation of laws “recursively” shapes subsequent interpretations and reforms (Halliday and Carruthers 2007).

While these studies shed light on the institutionalization of bankruptcy in the early twentieth century and the failure of efforts to switch to an administrative bankruptcy system, they do not explain the absence of conflict in the legislative process leading to the 1938 Act. Given that wage-earner payment plans reduce average debt relief, we might expect that creditor groups and others skeptical of undeserving debtors taking advantage of bankruptcy would advocate for a mandatory Chapter XIII. By contrast, debtor advocates and labor unions should dissent against reforms that reduce debt relief. This surprising absence of issue polarization suggests that we need to examine social actors’ understandings of bankruptcy in addition to who was filing for bankruptcy protections during this time period.

[INSERT TABLE 2 HERE]

Applying the moral accounting approach to Great Depression bankruptcy debates reveals that policymakers’ interpretations of bankrupts’ economic productivity and deservingness

contributed to the consensual creation of Chapter XIII. The former increasingly focused on debtors' positions in labor markets (Bittman 2021), while the latter remained oriented towards the recipients' social identities (Katz 1986). See Table 2 above. There was discussion of fraudulent, unproductive and undeserving, insolvents who needed to be excluded from bankruptcy. There was also skepticism of undeserving insolvents, including many low skill workers, racial minorities, and women workers. However, given market inequities that limited credit primarily to white men (Olney 1998), interest groups and policymakers accepted that most bankruptcy petitioners were deserving of debt relief. Chapter XIII would help honorable and productive insolvents, such as manufacturing workers, pay their non-loan sharking creditors out of future income under the protection of a government collection stay. In Chapter VII, unproductive and deserving insolvents, such as soldiers, were given the choice to petition for immediate relief. For the former, debts payments would help them fulfill their moral obligation to pay creditors, while for the latter, an immediate discharge would help them regain their economic citizenship absent debt collection efforts.

Other scholarship helps us understand the context of the bankruptcy reform. Most importantly, creditor and legal interest groups remained central to the construction of the 1938 Bankruptcy Act as a judicial system that included the option of wage-earner payment plans (Hansen and Hansen's 2020:50-4, 75-7; Skeel 2001:80-98). Yet this perspective cannot explain the absence of interest groups, such as social reformers (Anderson et al. 2015) or labor unions (Eidlin 2016), in opposition to these reforms. Southern Democrats' legislative leadership (Katznelson 2012) means that a voluntary Chapter XIII could have been accepted as a compromise to accommodate local legal cultures (Braucher et al. 2012:397). The 1937-38 Recession and conflict over the Fair Labor Standards Act may have reduced unions' political

opportunities to contest Chapter XIII. Nevertheless, the absence of front-stage conflict suggests a shared understanding of bankruptcy. Finally, the robust protections for farmers may also be explained by the disproportionate weight given to farmers in the American federal system and their claims based on land-as-collateral (Gerstle 2015:185-215; Krippner 2017).

### **Research Design, Methods, Data**

In order to uncover the cultural schemas of bankruptcy, I employed primary source corpora from 1929 to 1939, which was a key period of debates over bankruptcy that led to the enactment of the 1938 Bankruptcy Act. These data were analyzed through qualitative and quantitative text analysis. Data for computational analyses includes all 1,248,921 floor speeches in the U.S. House and Senate from the Congressional Record (Gentzkow et al. 2018). This allows me to systematically examine how federal legislators during the Great Depression discussed bankruptcy. I also employ the Corpus of American Historical English (COHA) to compare legislative speech to a broader set of elite discourse (Davies 2010). It contains a sample of 22,293 magazine and newspaper articles, novels, and academic publications published between 1920 and 1939.

For qualitative analyses, I build a sample that includes newspapers (*New York Times*, *Atlanta Constitution*), magazines (*The Atlantic Monthly*, *Harper's Monthly*, *Saturday Evening Post*) (n=191), interest group publications (*Credit World*, *Journal of the National Association of Referees in Bankruptcy*) (n=77), and congressional floor speeches and hearings collected via HeinOnline (n=195). Qualitative documents were selected through a search of “bankrupt(cy)” and a preliminary reading to determine if bankruptcy was the core topic discussed in the text.

I develop my understanding of the boundaries of bankruptcy through a computational abductive approach (Karell and Freedman 2019; Tavory and Timmermans 2012) that iterates between qualitative and computational analyses. I begin by analyzing the qualitative sample through coding and memo writing in order to understand the topical concerns and symbolic associations of bankruptcy. This helped me uncover the surprising fact that Chapter XIII was enacted on a unanimous basis absent front-stage political conflict. I also learned that bankruptcies were both discussed in terms of insolvents' productivity and deservingness. Word embedding models verify that the cultural schemas uncovered in qualitative readings structure how legislators and other social actors understood bankruptcies by people from different occupational, gender, and racial groups. The abductive method provides evidence that these schemas structured discussions of bankruptcy in the Great Depression. In conjunction with bankruptcy petitioner data, this sheds light on the consensual enactment of the 1938 Bankruptcy Act, especially the creation of wage-earner payment plans in Chapter XIII.

Word embeddings have been shown to uncover semantic patterns. Linguists have hypothesized that words gain their meaning in relation to other nearby words (Firth 1957). Building on this idea, static word embeddings, such as Word2vec, allow for quantitative analysis of each word's semantic meaning in relation to other words in the corpus in a high-dimensional vector space (Mikolov et al. 2013). In this modeling, each word is associated with an array of coordinates that places it in a 300-dimensional vector space. Words that are used in similar contexts to each other will be estimated as close to one another in vector space, while words that are used in different contexts will be estimated as farther away from one another. Following past research (Nelson 2021), these arrays are estimated through skip-gram negative sampling with a

window of 5-words on each side. The algorithm iteratively estimates the probability that a word will appear, conditional on the presence of another word.

This broad, yet fine-grained map of the semantic space has been theorized to be able to capture cultural schemas (Boutyline and Soter 2021). This method also allows us to probe the schematic associations of less commonly discussed topics, such as bankruptcy, that would be largely overlooked by methods such as text networks and topic models. Empirical research has employed Word2vec to probe cultural associations, including intersectionality in discourse (Nelson 2021), gender stereotyped occupations (Garg et al. 2018), and the cultural dimensions of class (Kozlowski et al. 2019). While newer algorithms provide more fine-grained contextual embeddings (Devlin et al. 2019), they have primarily been employed in the social sciences for unsupervised learning and classification tasks (Bonikowski et al. 2022). As yet, there is no standard procedure for applying contextual embeddings to cultural distance analyses.

In order to estimate uncertainty, I created 160 bootstrapped samples on the Congressional Record corpus and 40 samples on the COHA corpus. After computing embeddings on each bootstrapped corpus, word vectors are normalized. Finally, to ensure comparability of embeddings between each bootstrapped sample, word embedding matrices are aligned via orthogonal Procrustes. To conduct measurements of schematic associations, I constructed a series of wordlists to capture the social groups and their relationship to schemas of interest. Both cultural pole word lists and occupational wordlists were constructed theoretically and inductively. Starting with terms used in the social science and historical literatures, I began compiling wordlists employed by social actors in the media and legislative records. Finally, to reduce sensitivity of analyses based on particular words, these wordlists were expanded inductively by examining keywords' nearest neighbors in the corpus by cosine similarity.

I compiled wordlists for both bankruptcy and debt and welfare and social policies. In order to examine the main schemas of interest, I created wordlists of both bankruptcy (un)deservingness and (un)productivity, and welfare deservingness for comparison. The bankruptcy deservingness and welfare deservingness vectors were created by adding bankruptcy and welfare with their respective deservingness wordlists. This method isolates the meanings represented by the resultant vector to the intersection between the two original vectors (Nelson 2021). For occupations, the main lists include business, economic malfeasants, farmers, middle-class workers, and working-class wage earners. Following qualitative analyses that uncovered many of the most commonly discussed occupations, these main wordlists were disaggregated into more precise occupations. Collectively, these wordlists allow me to probe the perceptions of deservingness and productivity for a wide range of social groups.

These wordlists are employed to measure relative word distances between the occupational and social group vectors and the vectors representing the poles of each schema dimension. Following past research (Garg et al. 2018; Nelson 2021), for each word (e.g., mechanic) in an occupational or social group wordlist, I measure the distance via Cosine similarity between its associated vector and the average distance for one pole of the schema (e.g., deservingness) minus the other pole of the schema (e.g., undeservingness). This results in an estimate of whether the word vector from the social group list is more likely to be associated with one pole of the schema or the other. If this value is positive, then the word is more associated with deservingness, while if this value is negative, then it is more associated with undeservingness. The procedure is repeated for each word in the occupation and social group wordlist. Finally, results are averaged to produce the mean relative distance between the social group wordlist and the schematic poles. This procedure is repeated for each bootstrapped sample.

Results are reported graphically in relation to the cultural dimensions of interests with 95% confidence intervals. See the Appendix for more on the data and analytic strategy.

## **Findings:**

### *Walter Chandler, Valentine Nesbit, and the Creation of Wage-Earner Payment Plans*

Across legislative debates on bankruptcy during the Great Depression, policymakers generally did not impugn creditors or insolvents. In discussions of the 1932 Hastings-Michener Bill, in the 1933 Bankruptcy Amendments, the 1934 Frazier-Lemke Farm Bankruptcy Act, the 1935 Farm Mortgage Moratorium Act, and the 1938 Bankruptcy Act, policymakers engaged in moral accounting as they discussed who needed a second chance in credit markets and at what cost. Through political compromises, such as dropping proposals for an administrative bankruptcy system, and because of a shared understanding that most wage-earners were deserving of bankruptcy protections, Representative Walter Chandler (D-TN) facilitated the consensual enactment of the 1938 Act. Chapter XIII gave insolvent individuals the choice to determine, based on their labor market position, whether they should honorably pay their fair creditors over time or receive an immediate discharge.

Legislators struggled to name and delineate the honest from the dishonest insolvents. These boundary discussions were crucial to demonstrate that a revised bankruptcy law could better exclude those undeserving of debt relief. President Herbert Hoover argued, “A sound bankruptcy system should operate first to relieve honest but unfortunate debtors of an overwhelming burden of debt; second, to effect a prompt and economical liquidation and distribution of insolvent estates; and third to discourage fraud and needless waste of assets by withholding relief from debtors in proper cases” (1932:4921). Through excluding the minority of

frauds and dishonest insolvents from debt relief, lawmakers aimed to foster a trust-based credit system. The 1938 Bankruptcy Act ultimately expanded bankruptcy referees' jurisdiction to prevent discharges and increased debtor income and asset reporting requirements.

Advocates of wage-earner payment plans emphasized its ability to rehabilitate wage-earners by encouraging future productive market relations. Senator Daniel O. Hastings (R-DE), sponsor of the Hastings-Michener bankruptcy bill, argued if the “creditor agrees to make such adjustments with his debtor as will inspire the debtor to new energy and new life, he has not only done a magnanimous thing for the debtor, but from a purely selfish point of view, he has increased the value of his own claim” (1933:4877). This bill’s creation of a mandatory wage-earner composition system administered by the Justice Department would help creditors realize their anticipated returns while helping insolvent people restore their creditworthiness.

Policymakers also elaborated moral accounts of insolvents to understand how they could reenter credit markets. This contributed to tensions over whether state oversight of the payment process helped or punished deserving insolvents. For instance, Representative Malcolm Baldrige (R-NE) suggested that by paying his debts over time, the insolvent “has not the stigma of bankruptcy” (1932a:565). Similarly, Lloyd Garrison, Special Assistant to the Attorney General, emphasized that wage-earner payment plans would help the insolvent wage-earner, who otherwise will “run to the loan sharks and get themselves in the noose further than ever” (1932a:576). Major unions, including the American Federation of Labor, also endorsed the Hastings-Michener Bill. John L. Lewis, President of the United Mine Workers, argued that payment plans “assure the wage earner a breathing spell to work out a composition with his creditors” and would prevent him from suffering from wage garnishment or turning to usurious loans to avoid bankruptcy (1932a:1027-30). There were, of course, differences in opinion in

these discussions. Opponents argued that some deserving insolvent people would be unfairly punished by holding them hostage under the thumb of the government and their creditors. Jacob M. Lashly, chair of the Bankruptcy Committee of the American Bar Association, contended that absent an immediate discharge, a wage-earner payment system would keep the insolvent “under suspension for two years, subject to the discretion of the referee, and perhaps spied upon and investigated into by interested creditors” (1932a:503). Advocates of wage-earner workouts emphasized how payment plans could save insolvent debtors from the stigma of bankruptcy, while opponents argued that these plans turned the federal government into a collection agency for creditors.

These debates are reflected in the 1933 Bankruptcy Amendments, which were enacted on a bipartisan basis at the height of the Great Depression. Forgoing an administrative system that legal groups feared would undermine their role in the bankruptcy system, this amendment extended personal bankruptcy law by creating Section 74, which allowed debtors to voluntarily negotiate workouts with their creditors. This provision did not authorize courts to manage debtors’ payments or to grant discharges. Nevertheless, bankruptcy referee Valentine Nesbit of the Northern District of Alabama at Birmingham stretched the statute to create a court-run debt payment system. Between 1933 and 1938, 3,421 Birmingham debtors petitioned for Section 74 (Dixon and Epstein 2002:746-55). Petitioners were largely industrial and railroad workers, though they were disproportionately white relative to Birmingham’s population (Fleming 2019). In turn, Representative Walter Chandler, who in 1935 was appointed the chair of the Subcommittee on Bankruptcy and Reorganization in the House of Representatives, revived efforts to further amend the bankruptcy code. He collaborated with the National Bankruptcy Conference, an organization of bankruptcy referees, judges, and scholars, on the corporate

provisions (Skeel 2001:93-8). However, he relied heavily on the Birmingham experiment, alongside creditor groups, to craft a voluntary wage-earner payment system. In comparison to corporate bankruptcy, scholars of personal bankruptcy did not participate in legislative debates on Chapter XIII.

Legislative hearings echoed earlier discussions over ensuring market trust and aiding insolvent debtors. Introducing the bill to the House subcommittee on bankruptcy, Representative Chandler contended that good credit practices “not merely increase the supply of credit that is seeking outlet, they very much increase the confidence of creditors and their disposition to grant credit upon reasonable terms” (1937a:14). Yet he and other proponents also elaborated moral arguments about the deservingness of wage-earners. He suggested that Chapter XIII is for “wage-earners who do not want to go through bankruptcy, but *would like* to have time to work out their obligations under the protection of a court” (1938a:5-6; emphasis added). More pithily, for those insolvent workers in manufacturing, railroads, and public utilities, Valentine Nesbit emphasized, “I do not deal with the recoupment of money, but rather with the rehabilitation of those of the 95 percent who have become insolvent in financial difficulties.” As such, he refused to collect “usurious” interest payments on behalf of creditors (1938a:65-9). By contrast, Chicago bankruptcy referee Charles T. Adams mused, “The idea is that the man’s future wages are made over to the court. It is like an assignment of wages to creditors.” And if he subsequently refuses to pay out, “he becomes a wage slave” (1938a:73). Skeptics of wage-earner payment plans suggested that personal bankruptcy should ensure immediate debt discharges for the deserving.

Representative Chandler overcame these differences in opinion to shepherd voluntary wage-earner workout plans into the 1938 Bankruptcy Act via unanimous consent in both houses of Congress. Legislative hearings focused heavily on the corporate reorganization portion of the

bill, not Chapter XIII. Creditor groups took interest in the Birmingham experiment, were consulted in the creation of Chapter XIII's payment plans, and expressed support for them (Morgan 1936:24-5). Yet they did not argue that it should be mandatory. An editorial in *Credit World*, the trade journal for the National Association of Credit Men, elaborated both pecuniary and moral arguments to contend that Chapter XIII "should salvage many millions of dollars for retail merchants and will be of great benefit to the temporarily embarrassed consumer debtors, the great majority of whom undoubtedly wish to pay their debts" (Shealey 1938:30). While the American Federation of Labor advocated on behalf of corporate reorganization provisions that mandated labor consultation (1938a:109-11), labor and philanthropic groups surprisingly did not contest the creation of the wage-earner payment system. Indeed, major philanthropic reformers, such as the Russell Sage Foundation concurrently advocated for state-level wage-earner debt amortization programs (Nugent 1935). In the final law, wage-earners who chose to file through Chapter XIII would complete a three-year payment schedule created under the supervision of the court, with the rest of their debts forgiven at the end of the payment period. As the Act also formalized both business liquidation and reorganization in Chapters X and XI, Senator Joseph O'Mahoney (D-WY) argued the bill made the "machinery of the Federal courts available to small business houses and individuals in the same manner as to railroads and large corporations" (1938b:2).

### *Deservingness and Productivity in Bankruptcy Discourse*

These legislative discussions reveal that lawmakers agreed that bankruptcy was both central to the functioning of credit markets, as well as a tool to help trustworthy individuals recover from economic failures. Yet debates over whether having insolvents pay debts over time

to their creditors rehabilitated or punished them failed to polarize into interest groups advocating either for mandatory or no wage-earner payment systems. To understand this puzzlingly consensual legislative process, I examine broader discussions of bankruptcy. In media and legislative discourse during the Great Depression, qualitative analyses uncover that “bankruptcy” referred to a position of general moral and economic distress, and social actors engaged in moral accounting of the personal or structural factors that led to insolvents’ failures. However, in attempting to discern whether bankruptcy petitioners were deserving versus undeserving of bankruptcy protections, and whether their insolvencies reflected their long-term unproductivity or short-term illiquidity, social actors probed who was petitioning for bankruptcy and drew upon cultural understandings to interpret their failures. Qualitative and computational analyses reveal that occupational and social groups that disproportionately were filing for bankruptcy protections were seen to be deserving, even as they varied in whether they were economically productive.

Many legislators spoke sympathetically about the small farmer impoverished by the economic collapse or the wounded veteran unable to find employment. Representative John Ridley (D-TN) suggested that farmers, buffeted by market and environmental catastrophes “have been overwhelmed by conditions for which they are not responsible, and they have exhausted their resources,” and so their insolvency was not due to any unwillingness to pay their creditors as honest Americans (1936:7118). Similarly, Representative John Nelson (R-ME) emphasized the importance of helping America’s “penniless veterans” (1932:13035). By contrast, the moral accounting of wage-earner bankruptcies remained unsettled. Jacob M. Lashly emphasized wage-earner deservingness, arguing that they are “weak and beaten people who have run upon misfortune and have stuck the rocks, and who are more pitiful citizens than they are public enemies” (1932a:505). These accounts often diagnosed capitalism or capitalists as the cause of

suffering, not the debtor. Senator Elmer Benson (Farm-Labor-MN) described what he perceived as the outcome of “uncontrolled capitalism” where there are “Babylonian palaces in Newport and its bread lines in every city, its bank bulging with money, and thousands of small businessmen going bankrupt, its farmers poor because they are producing food which the hungry city laborer cannot afford to buy” (1936:9136). In sum, farmers and wage-earners should have their unjust debts relieved through bankruptcy.

Others, particularly those with backgrounds in East Coast media and politics, viewed wage-earners as undeserving bankruptcy petitioners. U.S. Solicitor General Thomas Thacher argued “persons who are not engaged in trade have as a rule no occasion to come into bankruptcy unless they have been living beyond their means on money borrowed from their creditors.” Rather than economic dislocations or poverty, individuals’ spendthrift behaviors led them to seek escape from their “just debts” (1931:1395). The *Saturday Evening Post*’s Lowell Brentano claimed, “there is virtually no excuse today for a man to go into bankruptcy if he does something about his debts soon enough” (1939:73). Lower income workers faced additional, moralized skepticism. Sadd and Williams argued that 46% of the “unskilled laborers” in their personal bankruptcy sample filed due to “extravagance or dishonesty”, the highest among all their occupational categories. In comparison, these factors led to 35% of “skilled labor” bankruptcies and 33% in the full sample. In the midst of the Great Depression, many continued to emphasize how personal irresponsibility led to bankruptcy (1933:10-27). Insolvent wage-earners were not the helpless victims of external forces.

Factors beyond occupation also influenced perceptions of deservingness. Married men with children were seen as particularly deserving of bankruptcy protections. In describing those in need of relief, Representative Robert Johnson (D-MO) stated that “To-day 8,000,000 of honest

laborers with 25,000,000 good women and little children depending on them for support, are out of work through no fault of their own” (1932:4389). Descriptions of the deserving farmer, furthermore, echo descriptions of white pioneers. For example, Representative Frank Sisson (D-NY) called for help for the “rugged individualists” who are on the verge of the “ruin of lost farms, impending bankruptcy, and suffering from poverty on the part of their wives and children” (1934:5039). Turning to those who would benefit from Chapter XIII, bankruptcy referee Charles T. Adams highlighted men of “foreign extraction” who with his “cousins and brothers and uncles . . . bought a building and they all hope that it is going to take care of them in their old age” (1937a:44). Bankruptcy was often viewed as a form of social insurance for families headed by white men, both native-born and immigrants.

Bankruptcies by women and people of color were rarely raised in these debates. While this is likely due to the infrequency of their petitioning for bankruptcy, when they are mentioned, it is often in an undeserving light. For instance, in contrast to the brisk summaries of the married man with medical debts, an older merchant with a decrepit building, and a laborer suffering from wage-garnishments, Arthur Pound in *The Atlantic Monthly* concludes with the sad tale of Mrs. Clare, a widow who squandered the fortune accumulated since her family’s pioneer days in the stock market (1932:173-5). In contrast to the moral ambiguity of Mrs. Clare, insolvent Black Americans are discussed as the buffoonish victims of predatory lenders. In legislative hearings, Clarence O. Sherrill, of the American Retail Federation, relayed how six Black families in a southern city bought refrigerators on credit – despite not having electricity – because they came with a turkey (1937a:63-4). Similarly, in a *Tuscaloosa Times* article, “Plantation Men Warn Loan Sharks to Stay Off their Properties”, an owner claimed that “loan sharks” were “draining his negro tenants of money which he is advancing them to live on until the new crop is harvested”

(1929). Women and Black people, in particular, were seen as undeserving insofar as their incompetence allowed them to become victims of predatory lenders, which ultimately harmed fair lenders' operations and ability to lend to the creditworthy. Qualitative findings suggest that occupation, race, and gender influenced perceptions of productivity and deservingness.

*Schemas of Deservingness and Productivity: A Word Embedding Analysis*

[INSERT FIGURE 2A-B HERE]

Computational analyses largely confirm the qualitative findings. In the Congressional Record, both middle-class and working-class wage-earners, alongside businesses, are viewed ambiguously as neither deserving nor undeserving of bankruptcy protection. See Figures 2A-B. Only farmers are perceived as deserving of bankruptcy, and only gamblers are viewed as clearly undeserving of bankruptcy. By contrast, wage-earners and businesses are all viewed as productive. Farmers are ambiguously neither productive nor unproductive, while gamblers were clearly seen to be unproductive. In comparison, the COHA analyses suggest that elite discourse described business, middle class workers, and gamblers as much more deserving than federal legislators. This aligns with qualitative analyses that lower class workers faced additional skepticism of their bankruptcy petitions from those in East Coast media and politics. While these analyses suggest legislators perceived the necessity of excluding economic malfeasants from bankruptcy, the findings for other groups remain uncertain. Overall, discourse on personal bankruptcy was not clearly “pro-debtor” during the Great Depression (Skeel 2001:98-100).

[INSERT FIGURE 3A-B HERE]

In Figure 3, I probe social actors and legislators' perceptions of bankruptcy on a fine-grained set of occupations. This reveals that working-class occupations were seen as

ambiguously deserving and productive. In support of qualitative analyses, across both corpora, both farmers and soldiers are seen as unproductive and deserving. By contrast, manufacturing workers were perceived as both productive and deserving. Many other working-class workers, including service workers, clerks and managers, and police officers and firefighters were seen as ambiguously (un)deserving and (un)productive. These analyses suggest that manufacturing wage-earners, in particular, were seen as morally and financially capable of paying their creditors. Farmers and manufacturing workers, despite differences in their productivity, were both viewed as deserving due to the importance of their labor to the nation (Gourevitch 2015).

[INSERT FIGURE 4A-B HERE]

Next, in figure 4, I examine how perceptions of bankruptcy vary for women and racial minorities. Most are seen as ambiguously to fully undeserving (Fox 2012). In the Congressional Record, both Mexican and Chinese “peons”, as well as widows, are viewed as unproductive yet ambiguously deserving. While both Black croppers and working-class laborers are seen as borderline unproductive, Black working-class insolvents are viewed as significantly less deserving than their cropper peers. For legislators, Black Americans’ migration northward may have also been a migration towards undeservingness (Wilkerson 2010). In comparison, non-legislative elite discourse viewed both Chinese and Mexican peons as undeserving, and widows and low-status women workers as deserving. This aligns with research that mother’s pensions were a middle-class movement and that anti-immigrant politics were led by elite organizations (Skocpol 1992:333-50; Wilde 2019:57-74). Race and gender schema analyses uncover lower levels of inclusion for racial minorities, especially Black people in the Congressional Record. This is most clear for farmers. Though both white and Black croppers are not seen as productive, only the white farmers are seen as deserving of bankruptcy protections.

[INSERT FIGURE 5A-B]

It remains unclear, however, whether perceptions of bankruptcy deservingness aligned with that of welfare deservingness (Sullivan et al. 2000). In figure 5, analyses across the COHA ( $r=0.93$ ) and Congressional Record ( $r=0.66$ ) corpora reveal an alignment in perceptions in deservingness of welfare and bankruptcy. Perceptions of bankruptcy deservingness are directionally more positive, though to an insignificant degree. In the Congressional Record, only farmers are seen as deserving of welfare, while in elite discourse only manufacturing workers are perceived to be deserving ( $p<0.05$ ). Following past research on welfare (Fox 2012), across both corpora racial minorities are seen as highly undeserving. This suggests that despite the complementary nature of the welfare state and credit markets in how citizens provide for their needs (Wiedemann 2021), their patterns of inclusion and exclusion remain culturally supplementary.

[INSERT FIGURE 6A-B HERE]

Finally, in figure 6, analyses of middle-class insolvents reveal little variation in perceptions of deservingness, even as most occupations are viewed as productive. In the Congressional Record, except for doctors and planters, all occupational groups are viewed as productive. However, only scientists are seen as deserving, while entertainers and traders are seen as undeserving of bankruptcy protections despite their productivity. In elite discourse, by contrast, perceptions of deservingness are positive, excluding traders and planters. Legislators remained more skeptical of whether individuals of higher socio-economic status deserved bankruptcy protections. Alongside efforts to expand credit markets through an evaluation of individual risk, legislators delinked perceptions deservingness from productivity (Hyman 2011:96).

[INSERT TABLE 3 HERE]

[INSERT FIGURE 7 HERE]

Computational analyses uncover that across elite political and social domains, insolvents were evaluated in terms of both their economic productivity and deservingness. These schemas were shared between Democrats and Republicans (deservingness  $r=0.99$ ; productivity  $r=0.90$ ) and did not change between the Hoover (1929-1933) and Roosevelt (1933-1939) administrations (deservingness  $r=0.99$ ; productivity  $r=0.99$ ). See Appendix Figures 2-3. The main results do not mask partisan conflict over bankruptcy. Furthermore, it suggests that legislators' schemas of bankruptcy were stable across the Great Depression and that they contributed to the consensual legislative debate over Chapter XIII once conflicts of the location of the bankruptcy system were resolved.

Overall, white bankrupts were more deserving than racial minorities. Yet in comparison to the high-status occupation preference in the COHA corpus, legislators viewed only a few occupations and social groups as deserving, including farmers, manufacturing workers, and soldiers. Statistically significant findings from the Congressional Record analyses are listed in Table 3; they are visualized in Figure 7. (Only 40 models are visualized to increase visual clarity). Alongside the broader depolarization of legislative discourse (Gentzkow et al. 2019), policymakers were more moderate in the extent to which they drew upon deservingness schemas than their peers in elite media, novelists, and academics. Nevertheless, depending on their occupations and social backgrounds, petitioners were variously seen as needing immediate debt relief, benefitting from paying their debts under court supervision, or undeserving of bankruptcy protections.

An alignment between those petitioning for bankruptcy protections and understandings of deservingness contributed to the consensual legislative process. Personal credit in the early twentieth century was effectively limited to white men with stable incomes (Bittman 2021; Olney 1998). As such, personal bankruptcy petitioners were disproportionately white men and often worked in farming and manufacturing. See Table 1 above. There was also an absence of dissension by creditor and debtor interest groups over the creation of a voluntary Chapter XIII. Manufacturing workers' productivity and deservingness meant that they would have future income to pay their creditors and that they desired to repay their (moral) debts rather than receive an immediate discharge. Other deserving insolvents, such as soldiers and land-owning farmers, required immediate discharges and mortgage moratoriums respectively because they lacked the steady incomes needed to pay lenders.

### **Discussion and Conclusion:**

I contribute to historical scholarship on the development of American bankruptcy law by embedding it into broader efforts to promote social welfare and rejuvenate the American economy during the Great Depression. It confirms that legal and creditor interest groups shaped the legislative text of the 1938 Bankruptcy Act, including forgoing an administrative system and the creation of wage-earner payment plans (Hansen and Hansen 2020; Skeel 2001). Nevertheless, past research does not explain why there was minimal opposition from labor and philanthropic interest groups. Rather than a political compromise between creditor groups advocating on behalf of mandatory wage-earner payment plans and debtor groups opposed to plans that reduce debt relief, the 1938 Act was passed via unanimous consent without front-stage opposition. It emphasized non-punitive methods to help deserving and productive wage-earners

pay their debts and recover their creditworthiness as economic citizens over time (Chapter XIII). Immediate discharges remained available for deserving yet unproductive individuals (Chapter VII). I argue that policymakers drew upon a shared moral accounting of bankruptcy in which deserving petitioners would select the bankruptcy chapter that accorded with their labor market prospects. Insolvent debtors' honorable choices to pay their debts would reduce lenders' losses and facilitate the expansion of consumer credit (Hyman 2011). At the same time, bankruptcy was a regulatory tool that would alleviate the suffering of victims of the economic catastrophe (Dauber 2013; Fox 2012).

This consensual legislative debate introduced wage-earner payment plans into American bankruptcy law. Chapter XIII is now the default form of personal bankruptcy in the United States. Contrary to the expectations of policymakers and interest group actors who worked on creating Chapter XIII, between 1946 and 1965, only 16% of personal bankruptcies were filed under this chapter (Hansen and Hansen 2020:83). Furthermore, with the post-War expansion of credit markets (Hyman 2011:132-219), by the 1980s, Black people increasingly petitioned for bankruptcy (Sullivan et al. 2000:46). Research suggests that they were not afforded the discretion to choose their bankruptcy chapter and were disproportionately directed to petition for Chapter XIII (Braucher et al. 2012). Rather than becoming a path-not-taken, tensions between the law in practice and the cultural schemas embedded in its construction ultimately contributed to Chapter XIII's punitive elaboration (Schneiberg 2007). In alignment with the moral accounting approach, this occurred through a conflictual legislative debate that culminated in the 2005 Bankruptcy Abuse Prevention Consumer Protection Act. It created a means-test to direct personal bankruptcy filers with an income above their state median to the payment plans. This

has resulted in decreases in debt relief and higher rates of long-term insolvency (Hansen and Hansen 2020:160).

This study underlines how a moral accounting of recipients' market position and identities shapes the parameters of America's liberal welfare state. Scholars have highlighted how credit and welfare policies interact to shape individuals' ability to realize full economic citizenship (Weidemann 2021). Bankruptcy is at the intersection of credit markets and welfare (Prasad 2012). Past scholarship has not explored the puzzle of when personal bankruptcy will be contested (Wetts and Willer 2018), as opposed to consensual (Quinn 2019), especially when proposed reforms serve to reduce debt relief. Despite a shift towards evaluating borrowers in terms of their position in labor markets (Bittman 2021), I show that moral conceptions of debt persisted, similar to in welfare (Steensland 2006). Unlike welfare, however, deservingness for bankruptcy protections does not obviate the moral obligation to pay lenders (Graeber 2011). Bankruptcy is a moral project backed by the symbolic authority of the state to determine *for whom* to wash away the stains of broken trust and *how* productive individuals should be rehabilitated into markets: punitively or voluntarily (Polillo 2011). The creation of Chapter XIII not only bolstered the role of the state in ensuring the generalized trust necessary for personal credit markets (Guseva and Rona-Tas 2001), but also laid the groundwork for the citizen-debtor to become central to American economic citizenship (Krippner 2017).

Additionally, I contribute to research on how gender and race shaped the construction of American credit markets. Individuals of higher socio-economic status are seen as more productive. Nevertheless, legislator perceptions of deservingness are distinct from productivity. My findings accord with scholarship that emphasizes the valorization of soldiers (Skocpol 1992), as well as labor by white farmers and manufacturing workers (Gourevitch 2015). In addition to

low-skill and service workers, most workers of color and women workers were viewed as undeserving (Fox 2012). This suggests that moral elements of the “constitutive whiteness of credit” (Robinson 2020:975) helped to solidify the legal underpinnings of American credit markets. Women and people of color’s uncreditworthiness based on their labor market positions and categorical statuses (Olney 1998) and their near absence from bankruptcy petitions contributed to the consensual legislative process. Yet race and gender alone were not determinative factors in these evaluations. I show that occupations independently, and in interaction with social categories, shaped perceptions of insolvents’ deservingness and productivity.

This study contains several limitations. First, I focus on a key period in the creation of American personal bankruptcy law and how cultural schemas shaped its enactment. My findings, unfortunately, do not speak to the long-term emergence of these schemas or the practice of Chapter XIII following its enactment. Relatedly, although this study’s computational abductive method provides evidence for the moral accounting framework, minimal front-stage dissension means that it cannot estimate the effect of these discourses in shaping legislative support for the bankruptcy law. Future research should turn to (quasi-)experimental designs and link discourse to relevant outcomes. Finally, turning from culture to patterns of material provisioning, scholars should probe how welfare policies and non-bankruptcy credit policies influence bankruptcy usage. By examining how individuals experience the interaction between the direct and submerged welfare states (Mettler 2011), we can better understand how moral accounting discourses shape the costs of economic citizenship.

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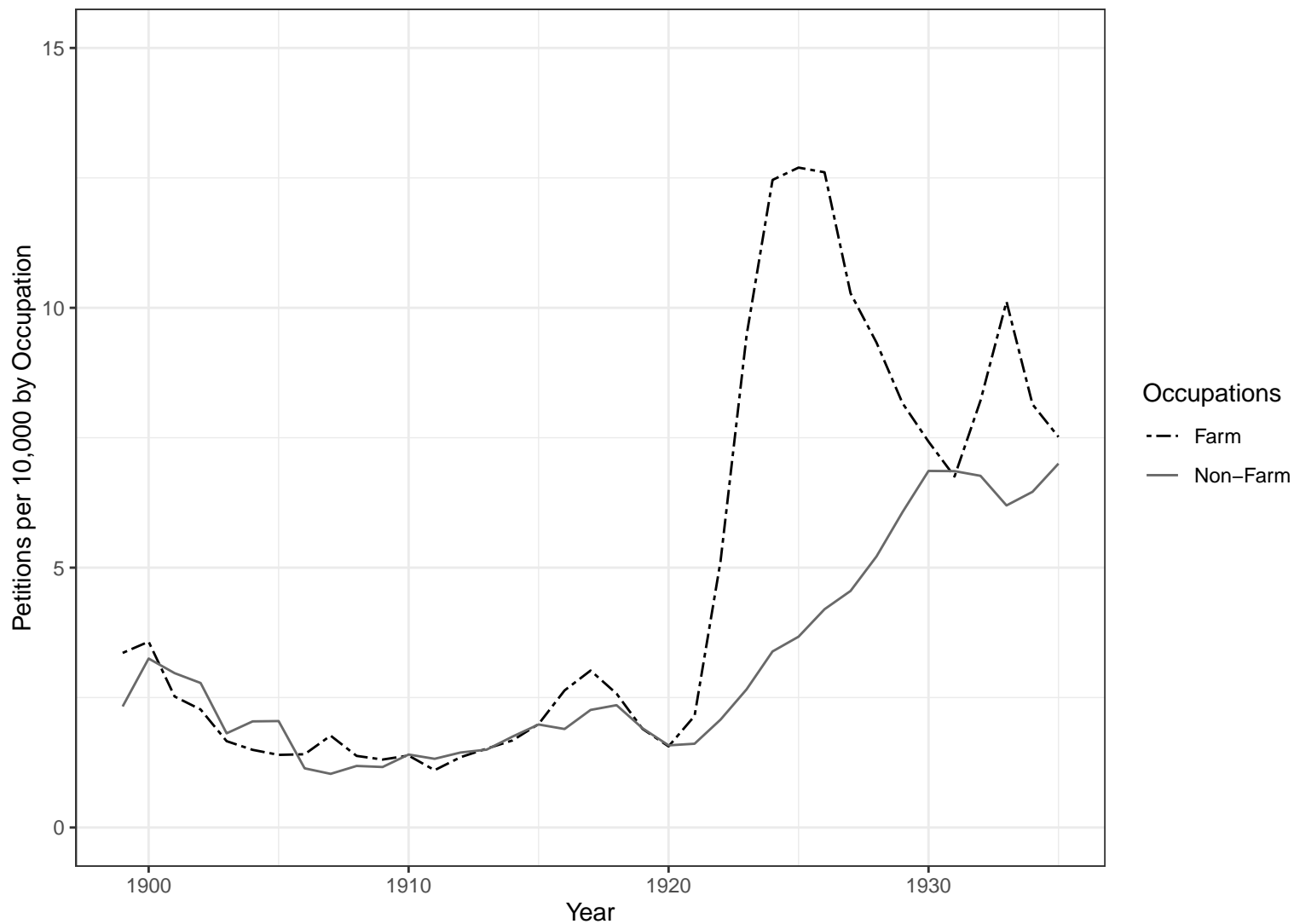
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Personal Bankruptcy Rate, 1899–1935

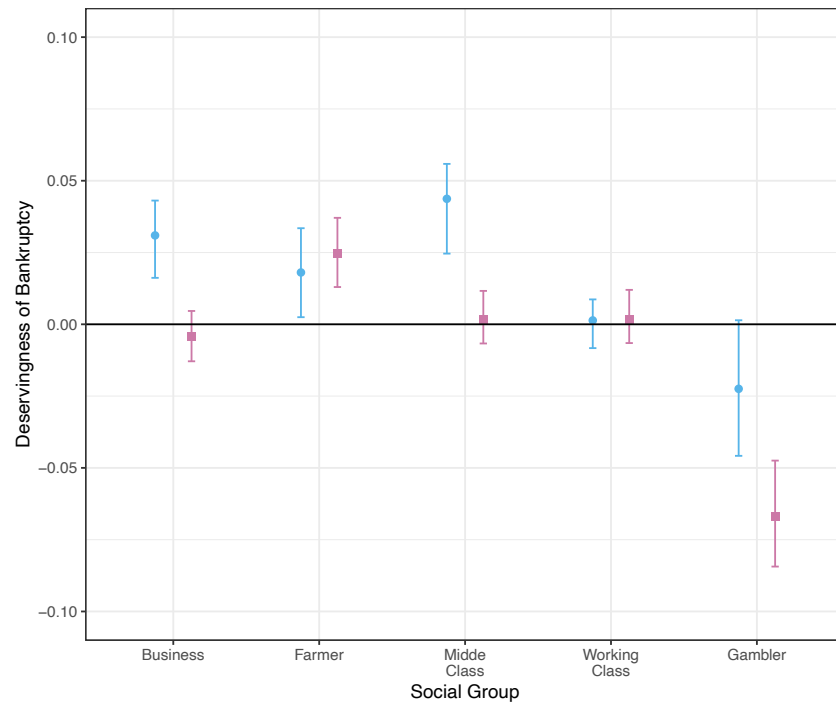


	St. Louis, MO		Memphis, TN		Southeastern, ND	
Demographics	Census	Bankrupts	Census	Bankrupts	Census	Bankrupts
White	0.90	1.00	0.59	0.84	0.99	1.00
Men	0.49	0.84	0.48	0.95	0.53	0.94
Married	0.59	0.85	0.61	0.93	0.51	0.88
Occupational Category						
- Service	0.05	0.02	0.05	0.02	0.02	0.01
- Labor	0.12	0.04	0.20	0.10	0.26	0.08
- Farmer	0.02	0.07	0.19	0.01	0.31	0.64
- Manufacturing	0.27	0.27	0.15	0.43	0.09	0.03
- Sales	0.08	0.23	0.06	0.11	0.03	0.07
- Clerical	0.07	0.04	0.04	0.12	0.02	0.00
- Manager	0.07	0.15	0.06	0.10	0.05	0.05
- Public Administration & Education	0.01	0.01	0.01	0.03	0.00	0.00
- Professional	0.04	0.03	0.03	0.03	0.02	0.01
- NA	0.27	0.11	0.22	0.05	0.19	0.08
Observations	185		242		146	

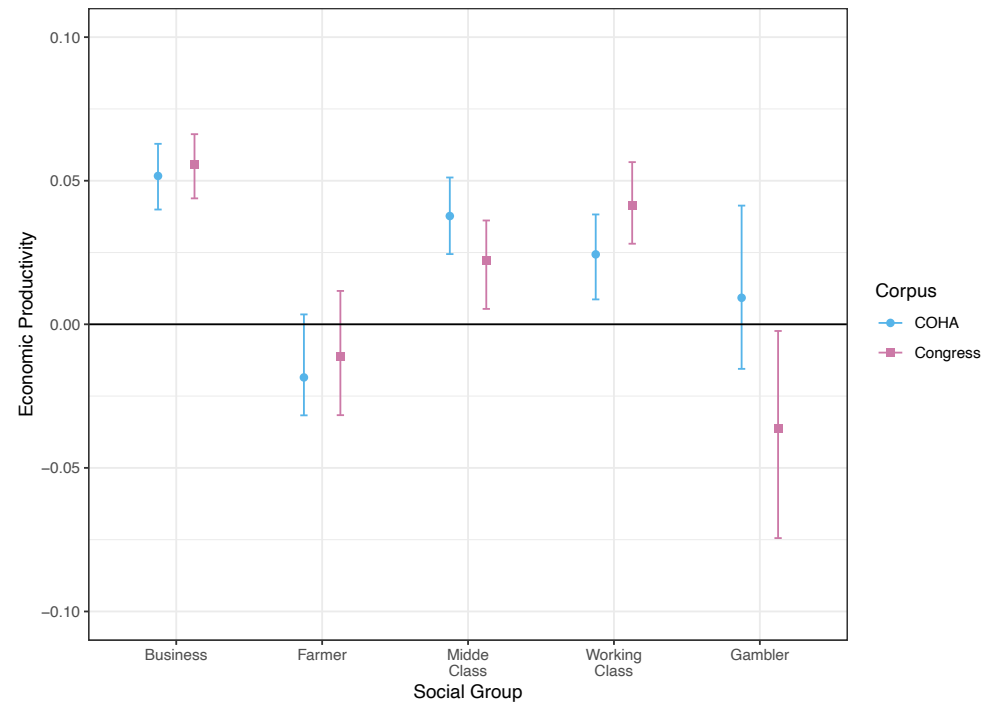
		Productivity	
		<i>Unproductive</i>	<i>Productive</i>
<b>Bankruptcy Deservingness</b>	<i>Deserving</i>	Debt Relief Chapter VII (1938-2005)	Voluntary Payment Chapter XIII (1938-2005)
	<i>Undeserving</i>	Exclusion from Bankruptcy Refusal of discharge Chapter VII (post-2005)	Punitive Payment Chapter XIII (post-2005)

## Perception of Deservingness and Productivity by Occupational Group

a. Deservingness

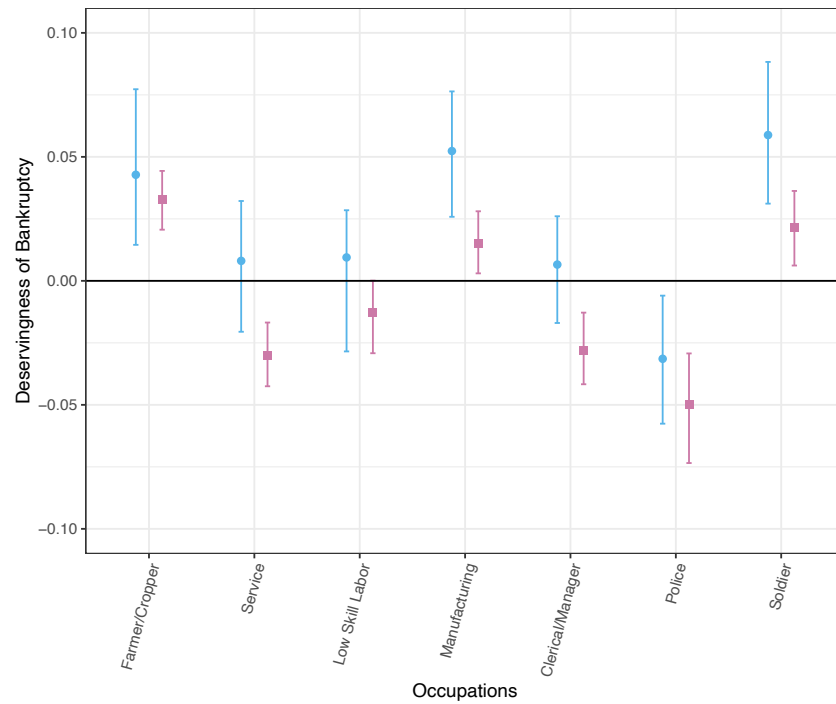


b. Productivity

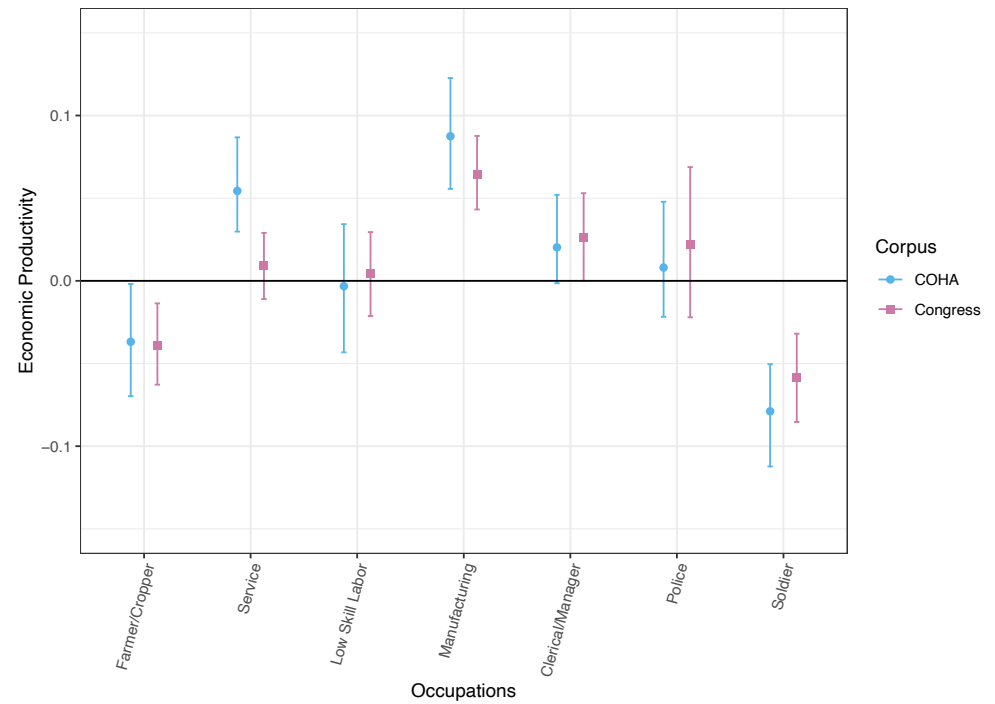


## Perception of Deservingness and Productivity for Low Status Occupations

a. Deservingness

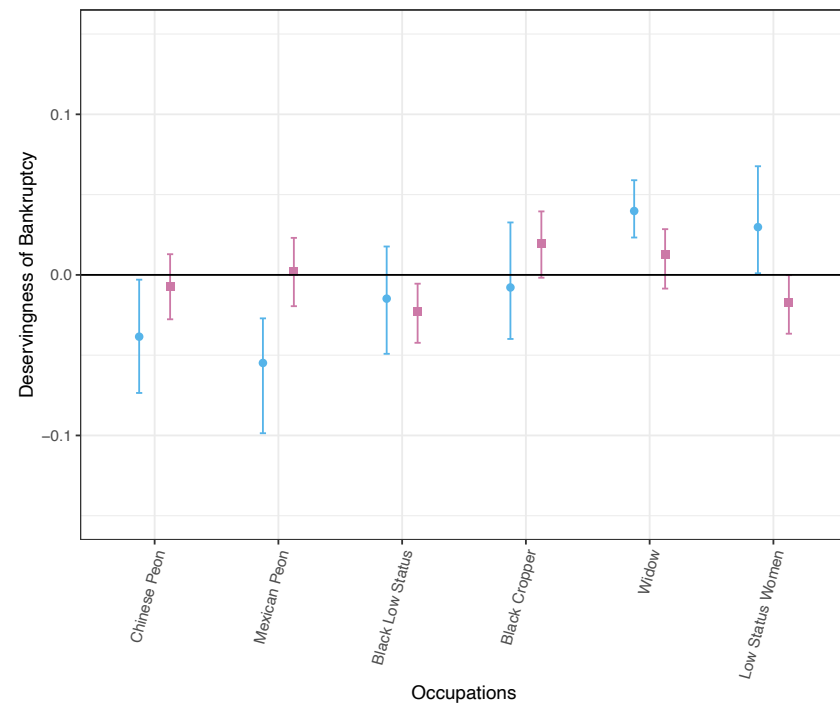


b. Productivity

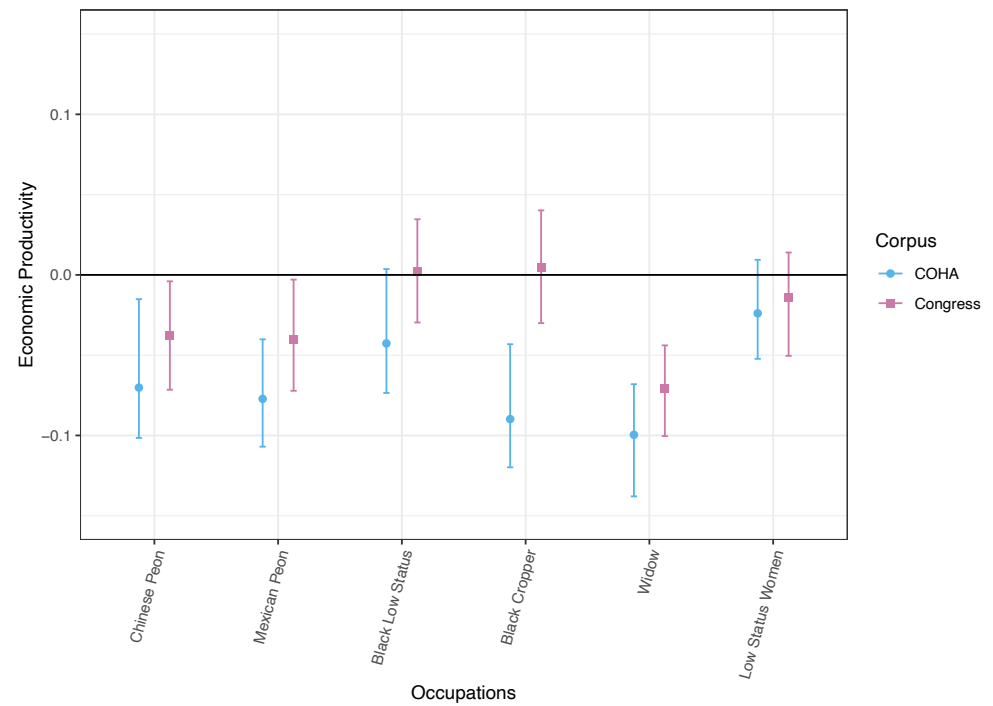


## Perception of Deservingness and Productivity for Women and Racial Minorities

a. Deservingness

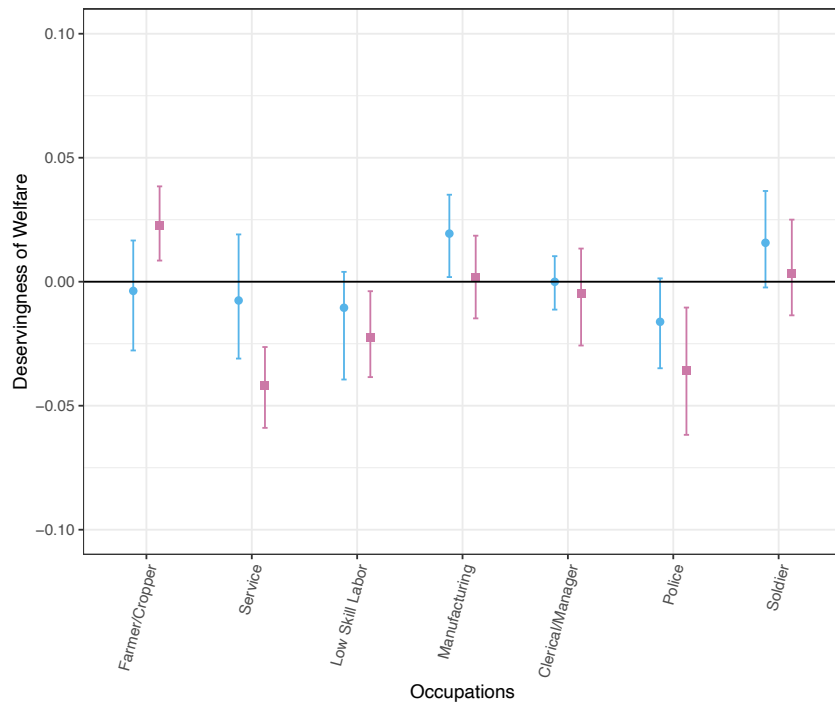


b. Productivity

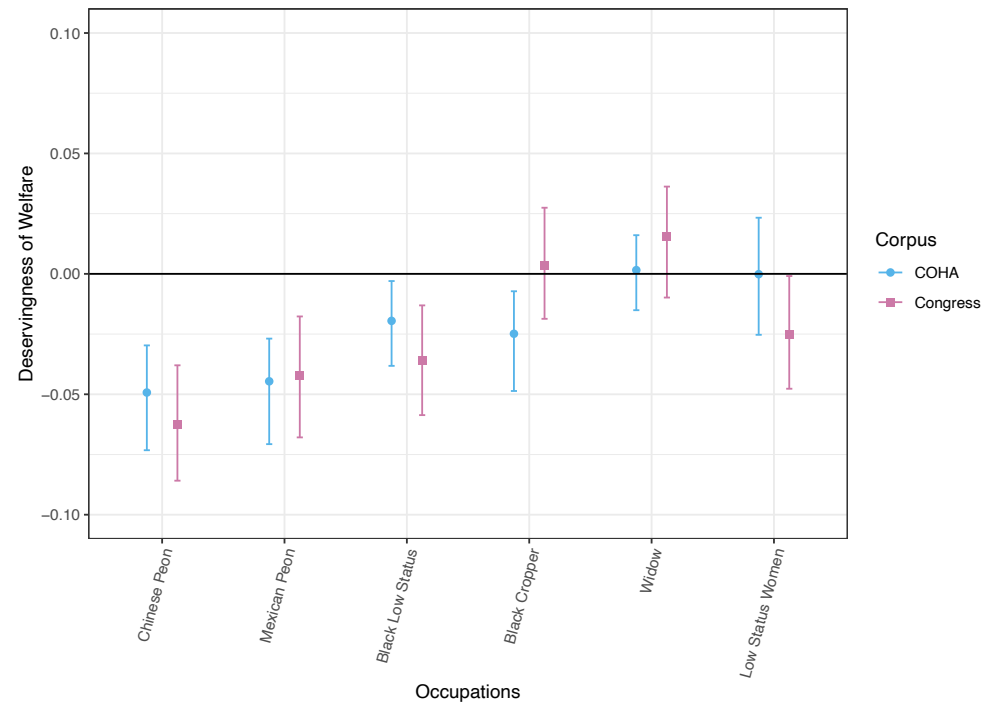


## Perception of Welfare Deservingness

a. Low Status Occupations

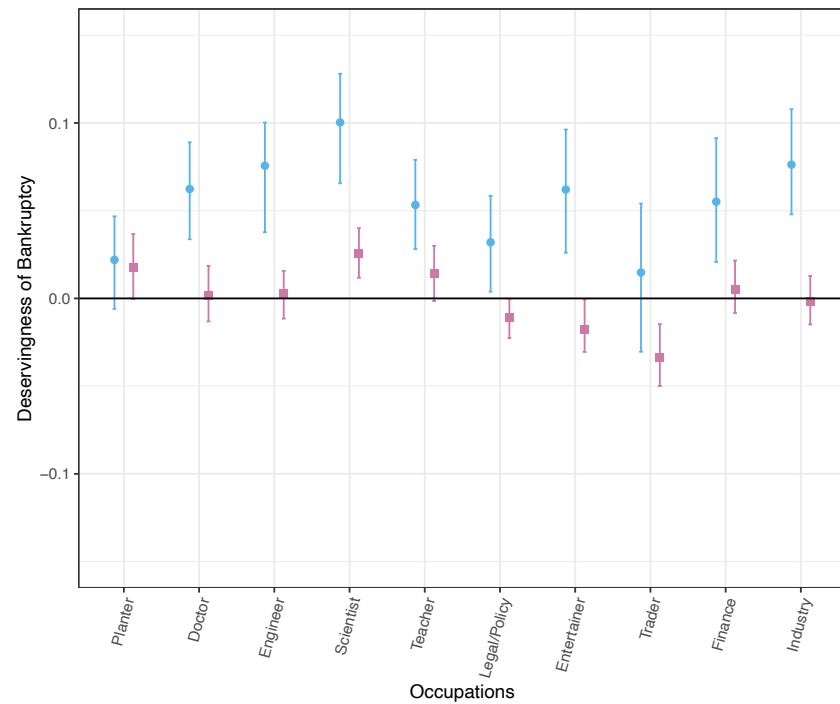


b. Women and Racial Minorities

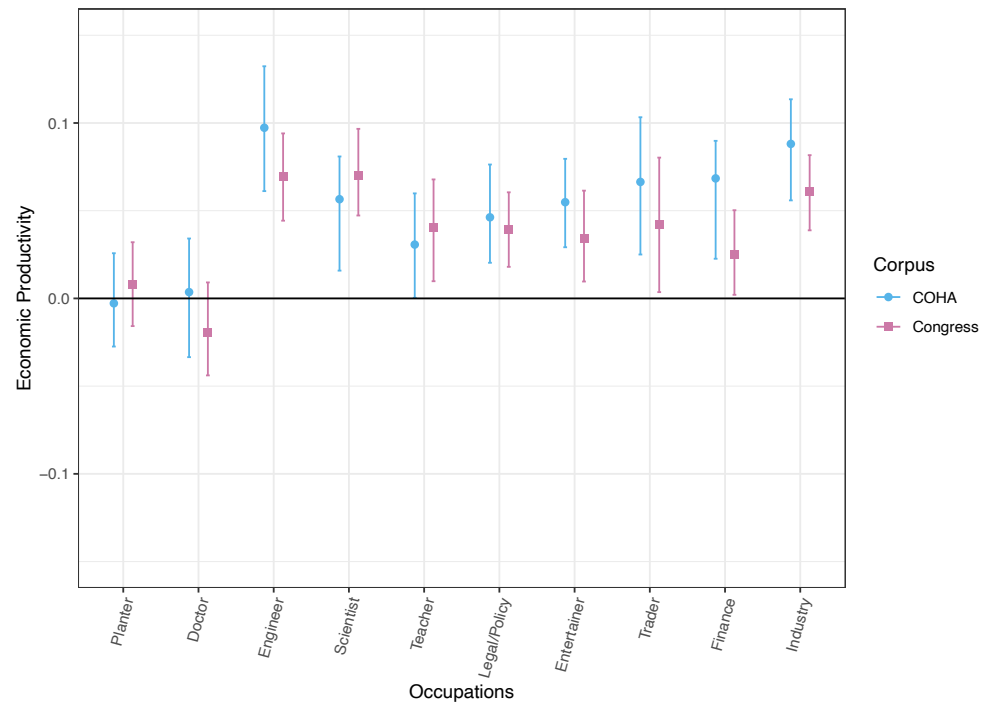


## Perception of Deservingness and Productivity for High Status Occupations

a. Deservingness

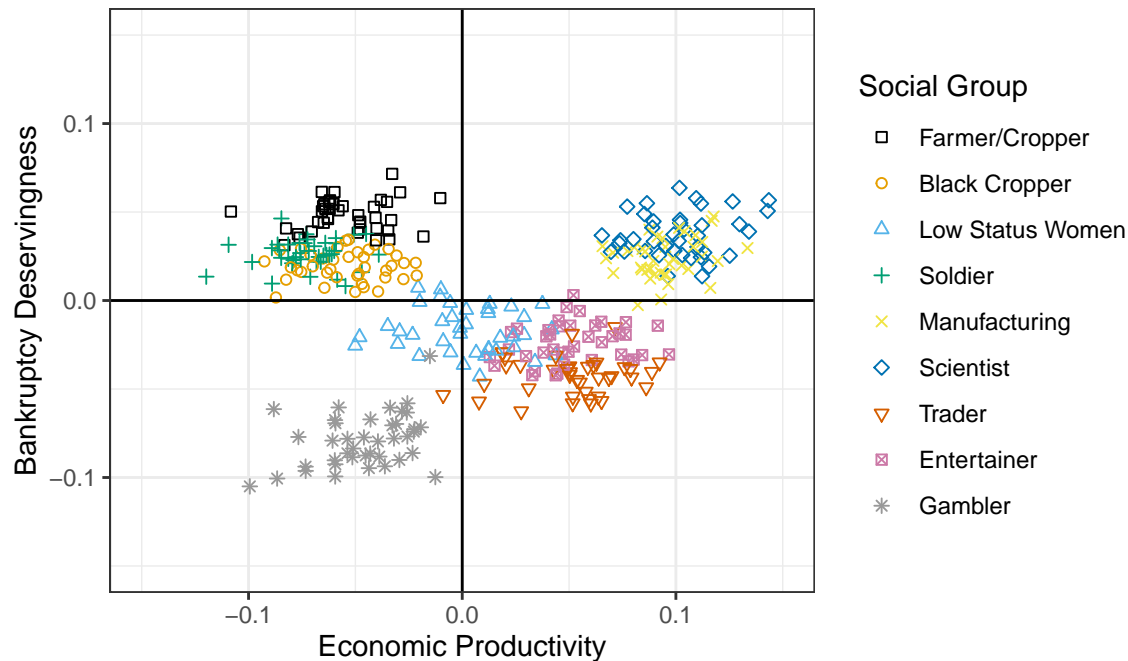


b. Productivity



		<b>Productivity</b>	
		<i>Unproductive</i>	<i>Productive</i>
<b>Bankruptcy</b>	<i>Deserving</i>	Farmers, Soldiers	Manufacturing, Scientists
<b>Deservingness</b>	<i>Undeserving</i>	Gamblers	Entertainers, Traders

# Perceptions of Bankruptcy in the U.S. Congressional Record, 1929–1939



## Data and Analysis Appendix

In order to explore how legislators conceived of bankruptcy and how these cultural schemas contributed to the consensual creation of a voluntary wage-earner payment system, I explore legislative speeches, media, and interest group publications focusing on the decade that led to the enactment of the 1938 Bankruptcy Act (1929-1939). I chose this time period because debates over bankruptcy law recurred throughout the Great Depression. This was a computational abductive analysis (Brandt and Timmermans 2021; Karell and Freedman 2019; Timmermans and Tavory 2012) that iterated between qualitative and quantitative text methods.

Abduction occurs through taking a surprising finding in light of existing theories and then attempting to infer what may have led to the original observation. It involves making connections beyond what is observed in order to understand the new finding “as matter of course” (Peirce 1934:5.181). To summarize my research process using Peirce’s syllogistic framework:

*The surprising fact of the unanimous creation of a voluntary wage-earner payment system (Chapter XIII) is observed;  
But if policymakers viewed bankruptcy petitioners as both deserving and creditworthy, then the consensual creation of Chapter XIII would be a matter of course;  
Hence, there is reason to suspect that bankruptcy petitioners were seen as both deserving and creditworthy.*

I discovered the original surprising fact through preliminary readings of legislative records. After generating my hypothesis, I followed an abductive research method and attempted to gather supporting or disconfirming evidence. I aimed to “observe” how policymakers discussed different social groups’ deservingness and creditworthiness and whether it was associated with who was petitioning for bankruptcy protections. The verification process, in particular, is feasible given the rapid analysis of large text corpora through fine-grained word embedding models. In the rest of this appendix, I describe my data and analysis process in greater detail.

### *Bankruptcy Sample and Census Linkage:*

I compile descriptive statistics on all bankruptcy petitioners<sup>1</sup> in three court districts to provide contextual information on who was filing for bankruptcy in the period leading to the enactment of the 1938 Bankruptcy Act. Court districts include the Eastern District of Missouri at St. Louis, the Western District of Tennessee at Memphis, and the Southeastern Division of North Dakota from 1925 to 1935. These bankruptcy petitions were digitized as part of a project led by Professor Mary Hansen to create a 10% sample of bankruptcy petitioners by court district. I selected Memphis and Southeastern North Dakota because they were the hometowns of major bankruptcy reformers during this time period, including Rep. Walter Chandler (D-TN) and Rep. William Lemke (R-ND). St. Louis was selected to provide a comparison to petitioners in a major American city. These states also differed in their state credit-policy regimes (Hansen and Hansen 2020:56). Missouri and Tennessee aimed to create rational personal credit markets through Small Loan Laws (Anderson et al. 2015). In terms of non-bankruptcy debt collection laws, Tennessee

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<sup>1</sup> This sample includes business filers. Until the Bankruptcy Act of 1938, business and personal bankruptcy petitioners filed under the same legal procedure.

facilitated creditors' garnishment of debtors' wages, while North Dakota made wage garnishment difficult for creditors.

Bankruptcy petitions contain information on the filer's name, occupation, and their debts and assets. Occupations were grouped by IPUMS's OCC1950 variable (Ruggles et al. 2019). I also linked bankruptcy petitioners to their 1930 census records to obtain information on racial classification. They were manually linked via name, city of residence, and occupation. The census linkage rate varied substantially by court: 77% in St. Louis, 38% in Memphis, and 87% in Southeastern North Dakota. These differences are largely due to different norms in completing paperwork. For example, in Memphis, petitioners often filed under their initials (e.g., JP Edwards). It is possible that linked petitioners differ systematically from unlinked petitioners. Therefore, I compare the debt loads and assets for these two groups. All show no statistically significant differences. Nevertheless, in St. Louis and Memphis, unlinked petitioners have higher debts and assets, while linked petitioners in Southeastern North Dakota have higher debt loads than unlinked petitioners. Investigating these differences, they are driven by outliers, including a few business proprietorships in St. Louis and Memphis and a large farm in North Dakota. This suggests that the full population of bankruptcy petitioners may have been higher income and whiter than the linked sample in St. Louis and Memphis. By contrast, the full population of bankruptcy petitioners may be lower income and less white than the linked sample in Southeastern North Dakota. See Table 1 below.

Table 1: Matched vs. Unmatched Bankruptcy Petitions

	St. Louis, MO			Memphis, TN			Southeastern, ND		
	Unlinked	Linked	p	Unlinked	Linked	p	Unlinked	Linked	p
<b>Debts (2020 \$)</b>	579,335 (1,071,526)	258,839 (1,009,159)	0.11	127,133 (729,767)	29,472 (124,855)	0.11	170,260 (156,815)	246,374 (412,847)	0.12
<b>Assets (2020 \$)</b>	446,211 (1,084,156)	140,382 (660,293)	0.12	89,816 (767,779)	41,543 (233,050)	0.34	67,603 (70,184)	75,012 (148,365)	0.70
<b>Sample</b>	55	185		380	242		22	146	

#### *Qualitative Corpus and Analysis:*

Qualitative analysis on a varied sample of texts allows for reconstruction of both the diverse perspectives on bankruptcy and the legislative concerns incorporated into the final bill. I focus on the period from 1929 to 1939.

Through a keyword search of "bankrupt(cy)" on HeinOnline, I collected 1,815 Congressional speeches between 1929 and 1939. These were subsequently culled to 195 speeches based on a preliminary reading that made clear that bankruptcy legislation or practice was a core topic of the speech. I omitted speeches that only drew upon the symbolic dimensions of bankruptcy (e.g., "morally bankrupt") or dealt with particular bankruptcy cases (e.g., businesses, movie stars). I also collected three House and Senate Judiciary Committee Hearings on bankruptcy (1932; 1937; 1938).

I repeated this procedure for a sample of newspapers and magazines available via ProQuest, which allows me to understand the broader public understandings of bankruptcy. In sum, I

collected 79 articles from the *New York Times* (out of 13,493), 69 articles from mainstream magazines (*The Atlantic Monthly*, *Harper's Monthly*, *Harper's Bazaar*, *Saturday Evening Post*) (out of 231), 20 articles from the *Atlanta Constitution* (out of 408), and 23 articles from a selection of Black Newspapers (*Baltimore Afro-American*, *Chicago Defender* *Pittsburgh Courier*) (out of 381).<sup>2</sup> Finally, given the role of interest groups in shaping the 1938 Bankruptcy Act, I also collected articles from relevant trade journals, including 46 (out of 131) from *Credit World*, the magazine of the National Retail Credit Organization and 31 (out of 47) on “wage-earner” bankruptcy from the *Journal of the National Association of Referees in Bankruptcy*. Finally, I collected additional media and academic articles on bankruptcy that were referenced to in other primary sources.

These data were analyzed using Atlas.ti. I developed and refined qualitative codes to understand the different topical focuses in the data (e.g., farmers, wage-earners, banks) and the ways in which legislators and media discussed bankruptcy (e.g., free contract, oppression, nation). I wrote memos that helped to clarify themes and how they varied between different data sources. Memos were also employed to outline the legislative history of bankruptcy and confirm key facts across multiple data sources (King et al. 1994).

Through qualitative readings, I discovered not only how voluntary wage-earner payment plans (Chapter XIII) were formalized as part of the 1938 Bankruptcy Act, but also that this major reform was enacted absent opposition. It became clear that personal bankruptcy petitioners were often described as honorable men facing liquidity issues who wanted to pay their debts. This helped me generate my hypotheses that bankruptcy was discussed using schemas of both deservingness and creditworthiness, and that many petitioners were positively evaluated across both dimensions. I then confirmed this observation across a range of legislator speeches and media sources, with a focus on variation on which bankruptcy petitioners were viewed as more/less willing (deserving) and able (creditworthy) to pay their debts.

#### *Congressional Record Corpus, Wordlists, and Analysis:*

Based on the qualitative finding that legislators positively assessed many bankruptcy petitioners along schemas of deservingness and economic productivity, the goal of the word embedding analysis is to confirm that these schemas meaningfully explain variation in discussion of bankruptcy in relation to different social and occupational groups in the United States.<sup>3</sup> If legislators’ positive evaluations of social groups’ deservingness and productivity aligns with who was petitioning for bankruptcy protections, then I take that as verification that these schemas contributed to the consensual creation of Chapter XIII bankruptcy.

I conducted text analyses on all House and Senate floor speeches from the 71<sup>st</sup> through the 75<sup>th</sup> Congresses (March 1929 to March 1939). In particular, I rely on Congressional Record speeches

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<sup>2</sup> The vast majority of newspaper articles on bankruptcy were filing notices (as required by the 1898 Act).

<sup>3</sup> As my interest is in how legislators discussed bankruptcy in relation to key occupational and social groups, a fully inductive approach to analyzing legislative speeches is not appropriate. For example, Spiring (2012) employs Principal Component Analysis to explore how the U.S. federal government’s treaties with Native American nations varied in “harshness” absent a priori theoretical suppositions. A similar analysis on legislative speeches on bankruptcy would explore the dimension(s) of bankruptcy speeches across the Great Depression Era.

scraped and converted into raw text format (Gentzkow et al. 2018). I subsequently “preprocessed” the text to reduce complexity and facilitate model training (Grimmer et al. 2021:52-8). This included lower-casing terms, removing punctuation and numbers, and removing commonly used “stopwords” from the Natural Language Processing Toolkit (NLTK) in Python.<sup>4</sup> I also removed all state and territory names and legislator surnames. Finally, I removed all words that did not appear in the corpus at least 10 times. After pre-processing, the final dataset contains 35,042 unique terms out of 35,851,921 words across 1,248,921 legislator floor speeches.

I follow recent applications of static word embeddings (Nelson 2021) to model the discursive space of the Congressional Record using Word2vec. This algorithm facilitates my examination of how legislators conceived of bankruptcy in relation to different occupational and social groups. By contrast, I do not aim to probe variation among legislators or document shifts over time. Word2vec is a well-validated tool that continues to be employed in social scientific research (Garg et al. 2018; Charlesworth et al. 2022; Guzman and Li 2023; Kozłowski et al. 2019; Zhou 2022). There have been advances in embedding algorithms, especially Bidirectional Encoder Representations from Transformers (BERT) (Devlin et al. 2018), which is able to model words’ polysemous meanings dynamically based on their contexts (e.g., river bank vs. bank loan). In classification tasks, it has been shown to produce embeddings with approximately 5 to 10% greater accuracy than static embeddings, with larger advancements in texts with more complex linguistic features (e.g., novels, poetry). Nevertheless, static word embeddings often match contextual embeddings performance on large corpuses (Arora et al. 2020). BERT has been most successfully applied in social scientific research to conduct unsupervised and supervised learning on relatively small samples of text data (Bonikowski et al. 2022; Ren and Bloemraad 2022) and explore temporal and sub-group variation (Card et al. 2022).

However, BERT’s applicability remains unproven in the context of the abductive relative vector distance analyses employed in this paper. The application of contextual embeddings is challenging because it requires determining *which* contextual embedding (or combination of contextual embeddings) should be employed in vector distance analyses. On one hand, this has the potential to increase researcher subjectivity (e.g., which “bankrupt” vectors, in which contexts, should be employed for vector distance analyses). Li, Tadimeti, and Bamman (2022) propose a largely inductive method of creating dimensions for vector distance analyses by using a generic word (“person” in their occupational analyses) and then choosing the contextual word embeddings in occupational contexts (e.g., writing, arts, science) that are the most distinctive. Rather than innovate in developing an abductive method applying contextual embeddings to historical sociological research, I rely on a well-validated algorithm (Hamilton et al. 2016) and method (Garg et al. 2018; Nelson 2021) proven to produce meaningful results. These findings should be seen as robust, if conservative, associations.

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<sup>4</sup> ourselves, hers, between, yourself, but, again, there, about, once, during, out, very, having, with, they, own, an, be, some, for, do, its, yours, such, into, of, most, itself, other, off, is, s, am, or, who, as, from, him, each, the, themselves, until, below, are, we, these, your, his, through, don, nor, me, were, her, more, himself, this, down, should, our, their, while, above, both, up, to, ours, had, she, all, no, when, at, any, before, them, same, and, been, have, in, will, on, does, yourselves, then, that, because, what, over, why, so, can, did, not, now, under, he, you, herself, has, just, where, too, only, myself, which, those, i, after, few, whom, t, being, if, theirs, my, against, a, by, doing, it, how, further, was, here, than

I implemented word2vec locally using the Gensim package. As compared to pre-trained static word embeddings, which are overwhelmingly trained on contemporary text data, this allows me to examine the specific discursive space of the U.S. Congress in the 1930s. I rely on Skip-gram negative sampling (SGNS), which uses shallow, 2-layer neural networks to construct the word embeddings (Mikolov et al. 2013). SGNS is better at representing rare words than the main alternative specification (Continuous Bag of Words). Following past research, I set the number of dimensions to 300 (Kozlowski et al. 2019; Mikolov et al. 2013). As word embedding vectors are estimated based on the context in which a word appears in the corpus, I use relatively large context windows of 5 words on each side of the focal word (respecting speech boundaries) (Nelson 2021). This produces a vector for each word in the corpus that places the word-vector in a fixed location in the 300-dimension vector space. As such, it is possible to measure the distance between vectors, generally through cosine similarity scores, which is the angular distance between two vectors (values range from 0 to 1, with higher scores representing greater similarity between vectors). Words that are close to each other in vector space are those that are used in similar contexts.

In order to estimate the uncertainty based on particular speeches, I repeat this process 160 times using bootstrapped samples. Since the dataset is organized by speech, I sample speeches with replacement to create 160 datasets with identical numbers of speeches, but with differing numbers of terms and words (Antoniak and Minmo 2018; Nelson 2021). For example, if a word is used very infrequently across speeches, then its embedding location will vary between models, which will enlarge the resultant confidence intervals.

After creating 160 bootstrapped datasets, I independently estimated and normalized each dataset. I then conduct Procrustes alignment, which normalizes the embedding's length and is necessary to ensure that all matrices are aligned to the same semantic space (Hamilton et al. 2016). Standardizing the length of word embedding vectors has been shown to improve performance in word relation tasks (Wilson and Schakel 2015). Alignment further reduces the corpus through dropping words that are only used in a few speeches. The final number of unique terms is 26,108 across all 160 models. There is no single computational test to determine whether a corpus is a reasonable model of the discursive space. Past studies have examined the nearest-neighbors of relevant words to ascertain its ability to capture ground truth (Nelson 2021). In model 1, I examine the 30 nearest-neighbors to the vectors for “bankruptcy” and “bankrupt” via cosine similarity. This list captures both synonyms of bankruptcy, as well as terms referring to debts, assets, and the legal system. Results are nearly identical across the bootstrapped models. For example, across all 160 models the cosine similarity between “bankruptcy” and “insolvency” is 0.554 with a standard deviation of 0.026. See Table 2 below.

Table 2: 30-Nearest Words to “Bankrupt” and “Bankruptcy”

Word	Cosine Similarity
Receivership	0.566
Receiverships	0.559
Insolvency	0.534
Bankrupt	0.523
Bankruptcies	0.500
Foreclosure	0.495

Creditors	0.482
Ruin	0.431
Reorganizations	0.421
Reorganization	0.419
Insolvent	0.409
Referees	0.407
Liquidation	0.403
Ancillary	0.401
Verge	0.395
Receivers	0.395
Foreclosed	0.393
Proceedings	0.388
Involuntary	0.386
Equity	0.386
Debtor	0.382
Repudiation	0.380
Moratoria	0.379
Dissolution	0.379
Mortgage	0.376
Receiver	0.376
Chaos	0.374
Brink	0.371
Stockbrokerage	0.365
Referee	0.362

Given evidence that these locally-trained, static word embeddings represent the discursive space of bankruptcy, I subsequently created wordlists to measure the distance between different social and occupational groups and cultural schemas. Collectively, these wordlists allow me to probe the perceptions of deservingness and productivity for a wide range of social and occupational groups, as American legislators wrestled with the parameters of bankruptcy law. There is no “theory-free” way to construct wordlists for word embedding models (Kozłowski et al. 2019: 944, footnote 22). Given the absence of fully inductive ways to create word lists, past scholars have developed two main methods. For example, Kozłowski et al. (2019) employs contemporary and historical thesauri to create wordlists to capture the cultural dimensions of class, which were then validated against contemporary and historical survey data (also see Garg et al. 2018). By contrast, Nelson (2021) creates wordlists by carefully choosing theoretically informed base words and then finding the 50 nearest neighbors of the base word in vector space via cosine similarity. The former process allows for greater theoretical precision in concept measurement, while the latter process ensures higher levels of fidelity to the linguistic choices of the speakers/writers in the corpus. In terms of limitations of each method, researcher created wordlists do not follow inductively from the embeddings data. By contrast, the nearest neighbors approach often results in wordlists that include apparently unrelated or antonymous words (Sedoc et al. 2017).

I incorporate both processes to generate cultural schema and occupational wordlists. As my analyses began with interpretive readings of legislative speeches and media, I compiled synonym

lists of bankruptcy and welfare, and well as any commonly noted racialized and occupational terms (e.g., farmer, wage-earner, laborer, coolie, peon) from my readings. To develop the occupations lists, I also drew upon occupations from the OCC1950 variable (Ruggles et al. 2019) and incorporated the occupations with the highest frequencies in the corpus (e.g., expert, professor, miner, laborer). Unfortunately, many occupations in the OCC1950 list were not in the final corpus (e.g., upholsterers, bootblacks, glaziers). This produced approximately half of each word list. I then searched for the 10 most similar words to each word in the wordlist by cosine similarity and selected additional terms that were theoretically relevant.

Once the wordlists were finalized, I averaged the word embedding vectors by adding together every pairwise combination in each word list. This resulted in a single word list vector that uniquely locates it in 300-dimensional vector space. This reduces the chance that any individual word pairing is driving the findings. Following Nelson's (2021) procedure, I created the cultural poles of "bankruptcy (un)deservingness" and "welfare (un)deservingness" through adding the respective vectors together. The same process was employed to create the vectors of Mexican Peon, Chinese Peon, Black Farmer, and Black Low Status Worker. As a note, words that were dropped in the partisan (Democratic, Republican) embeddings are marked with an asterisk (\*), those dropped in the temporal analyses are marked with a plus sign (+), and those dropped in the COHA wordlists with a (x).

Table 3A

<b>Bankruptcy</b>	<b>Welfare</b>
Arrears	Alms
Bankrupt	Assistance
Bankruptcy	Charity
Borrower	Child welfare <sup>*+x</sup>
Borrowers	CWA <sup>+</sup>
Broke	Direct relief <sup>*+x</sup>
Debt	Dole
Debtor	Doles
Debtors	Drought relief <sup>x</sup>
Debts	Emergency relief <sup>+x</sup>
Default	Handout <sup>*+</sup>
Delinquency	Handouts <sup>*</sup>
Delinquent	Pension
Due	Pensions
Foreclose	Public health
Foreclosed	Public works <sup>x</sup>
Foreclosing <sup>x</sup>	Relief
Indebted	Social Security <sup>+x</sup>
Indebtedness	Social service <sup>*+x</sup>
Insolvency	Social welfare <sup>*+x</sup>
Insolvent	Unemployment
Liabilities	compensation <sup>*+x</sup>
Liability	Unemployment
Mortgage	relief

Table 3B

<b>Productivity</b>	<b>Unproductive</b>
Affluence <sup>*+</sup>	Debts
Businesslike	Default
Capitalized	Deficits
Creditable	Depreciates <sup>*+x</sup>
Credits	Destitute
Developed	Discreditable <sup>*+</sup>
Efficiency	Impoverished
Efficient	Inefficiency
Enterprise	Inefficient
Gain	Insolvent
Invest	Languishing
Lucrative	Liquidation
Millionaire	Loss
Moneyed	Middle class <sup>*+</sup>
Productive	Penury <sup>*</sup>
Profitable	Poor
Profits	Poverty
Prosperous	Prodigality <sup>*+</sup>
Solvent	Undeveloped
Sound	Unproductive
Successful	Unsound
Thriving	Unsuccessful
Valuable	Working class <sup>*+</sup>
Wealthy	Worthless

Mortgaged Obligation Obligations Outstanding Owing Penury* Reorganization Ruination Ruined Usury	Wagner Lewis* <sup>+</sup> <sup>x</sup> Welfare Work relief		
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Table 3C

<b>Bankruptcy Deserving</b>	<b>Bankruptcy Undeserving</b>	<b>Welfare Deserving</b>	<b>Welfare Undeserving</b>
Absolve Absolved Acquit Amnesty* <sup>+</sup> Cataclysmic* <sup>+</sup> Deserved Deserving Desirable Dislocation Distressed Exonerate* Forgive Forgiven Forgiveness Frugal Guiltless* <sup>+</sup> Instability Misfortune Needy Noble Pardoned Pardons* <sup>+</sup> Redemption Renew Structure System Unanticipated* <sup>+</sup> <sup>x</sup> Unpredictable* <sup>+</sup> Worthy	Accountable Blame Blamed Corruptly* <sup>+</sup> <sup>x</sup> Culpable Defalcation* <sup>+</sup> <sup>x</sup> Dishonesty Dishonorable Disreputable Guilt Guilty Ignoble <sup>+</sup> Illegality Inefficiently* <sup>+</sup> <sup>x</sup> Malfeasance Punish Punishment Rascality* <sup>+</sup> Spendthrift* <sup>+</sup> Undeserved* <sup>+</sup> Undeserving* <sup>+</sup> <sup>x</sup> Undesirable Unrighteous* <sup>+</sup> <sup>x</sup> Unwisely Unworthy Wantonly <sup>+</sup>	Deserved Deserving Desirable Distressed Frugal Guiltless* <sup>+</sup> Hardworking Industrious Merited Meritorious Needy Noble Well-Earned* <sup>+</sup> Worthy	Dishonorable Disreputable Guilty Ignoble <sup>+</sup> Indolent* <sup>+</sup> Lazy* Loafers* <sup>+</sup> Shiftless* <sup>+</sup> Spendthrift* <sup>+</sup> Undeserved* <sup>+</sup> Undeserving* <sup>+</sup> <sup>x</sup> Undesirable Unearned Unholy Unmerited* <sup>+</sup> Unmeritorious* <sup>+</sup> <sup>x</sup> Unworthy

Table 3D

<b>Business</b>	<b>Farmer</b>	<b>Working Class</b>	<b>Middle Class</b>	<b>Gambler</b>
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Business	Agriculturalist* <sup>x</sup>	Accountant <sup>mc</sup>	Actor <sup>ent</sup>	Charlatan* <sup>+</sup>
Businessman <sup>+</sup>	Cattleman* <sup>+</sup>	Apprentice <sup>man</sup>	Administrator <sup>pol</sup>	Counterfeits* <sup>++x</sup>
Bank <sup>fin</sup>	Cropper <sup>cro *x</sup>	Artisan <sup>man*+</sup>	Architect <sup>eng</sup>	Gambler
Banker <sup>fin</sup>	Croppers <sup>cro</sup>	Attendant <sup>ls</sup>	Artist <sup>ent</sup>	Manipulator <sup>+</sup>
Businessmen <sup>+</sup>	Farmer <sup>far</sup>	Baker <sup>ser</sup>	Athlete <sup>ent*+</sup>	Racketeer <sup>+</sup>
Capitalist	Farmers <sup>far</sup>	Blacksmith <sup>man</sup>	Attorney <sup>pol</sup>	Scalper <sup>+x</sup>
Capitalists	Homesteader <sup>far+x</sup>	Bookkeeper <sup>mc</sup>	Chemist <sup>sci</sup>	Speculator
Corporate	Landlord <sup>pl</sup>	Brakeman <sup>man*+</sup>	Comic <sup>ent*+</sup>	
Corporation	Landlords <sup>p</sup>	Bricklayer <sup>man*+</sup>	Composer <sup>ent*</sup>	
Director	Landowner <sup>pl</sup>	Cashiers <sup>ser*</sup>	Consultant <sup>pol*+</sup>	
Employer	Plantation <sup>pl</sup>	Chauffeur <sup>ser</sup>	Dentist <sup>med</sup>	
Employers	Plantations <sup>pl</sup>	Clerical <sup>mc</sup>	Designer <sup>eng*+</sup>	
Enterprise	Planter <sup>pl</sup>	Conductor <sup>ser*+</sup>	Doctor <sup>med</sup>	
Financier <sup>fin</sup>	Settler <sup>far</sup>	Craftsmen <sup>man*+</sup>	Draftsman <sup>eng</sup>	
Firms	Sharecropper <sup>cro+</sup>	Engineman <sup>man*+x</sup>	Economist <sup>sci</sup>	
Industrialist <sup>ind</sup>	Sharecroppers <sup>cro+</sup>	Fireman <sup>pf*</sup>	Educator <sup>edu</sup>	
Industrialists <sup>ind</sup>	Ranchman* <sup>+</sup>	Foreman <sup>mc</sup>	Engineer <sup>eng</sup>	
Industry <sup>ind</sup>	Tenant <sup>cro</sup>	Gardener <sup>ls*+</sup>	Expert <sup>pol</sup>	
Investor <sup>fin</sup>	Tenants <sup>cro</sup>	Guard <sup>ls</sup>	Geologist <sup>sci*</sup>	
Jobber <sup>tr</sup>		Janitor <sup>ls</sup>	Instructor <sup>edu</sup>	
Manager		Laborer	Inventor <sup>sci</sup>	
Manufacturer <sup>ind</sup>		Mechanic <sup>man</sup>	Journalist <sup>pol*</sup>	
Monopolist <sup>ind *+x</sup>		Mechanist <sup>man*+</sup>	Judge <sup>pol</sup>	
Stockbroker <sup>tr*+</sup>		Messenger <sup>ls</sup>	Lawyer <sup>pol</sup>	
Trader <sup>tr</sup>		Miner <sup>man</sup>	Librarian <sup>edu</sup>	
		Operator <sup>man</sup>	Mathematician <sup>sci</sup>	
		Orderlies <sup>ls*+</sup>	Nurse <sup>med</sup>	
		Overseer <sup>mc*</sup>	Photographer <sup>ent*</sup>	
		Painter <sup>man</sup>	Physician <sup>med</sup>	
		Plumber <sup>ser*+</sup>	Player <sup>ent*+</sup>	
		Policeman <sup>pf</sup>	Professor <sup>sci</sup>	
		Sales <sup>ser</sup>	Publicist <sup>pol*+</sup>	
		Stockman <sup>ls*+x</sup>	Scholar <sup>sci</sup>	
		Supervisor <sup>mc</sup>	School	
		Tailor <sup>ser*+</sup>	teacher <sup>edu*+</sup>	
		Tanner <sup>man*</sup>	Scientist <sup>sci</sup>	
		Typist <sup>mc*+</sup>	Singer <sup>ent*+</sup>	
		Waiter <sup>ser*+</sup>	Statistician <sup>sci</sup>	
		Watchman <sup>ls*+</sup>	Surgeon <sup>med</sup>	
		Worker	Teacher <sup>edu</sup>	
		Workingman	Technician <sup>eng+</sup>	

Subsidiary wordlists: fin (financier), ind (industry), tr (trader), pl (plantation), far (farmer), cro (cropper), mc (manager and clerical), man (manufacturing), ls (low-skill), ser (service), pf (police-firefighter), ent (entertainer), sci (scientist), edu (educator), med (medical), pol (policy and law), eng (engineer)

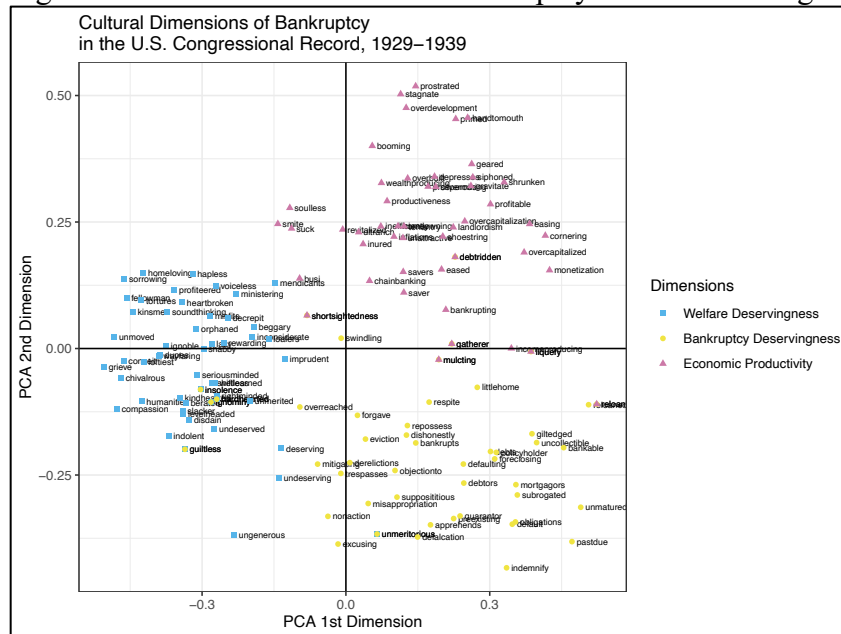
Table 3F

Peon	Soldier	Low Status Women
Coolie	Soldier	Charwoman*
Coolies* <sup>+</sup>	Soldiers	Cook
Peon	Veteran	Housekeeper* <sup>+</sup>
Peons	Veterans	Maids* <sup>+</sup>
		Washerwoman* <sup>+</sup>

Table 3G

Black	Mexican	Chinese
Blacks <sup>+</sup>	Mexican	Chinese
Colored	Mexicans	Chinamen <sup>+</sup>
Negro		Chinaman
Negroes		Oriental
		Oriental

Figure 1: Cultural Dimensions of Bankruptcy in the U.S. Congressional Record, 1929-1939



Next, I conduct a Principal Component Analysis (PCA). This is helpful to examine whether the economic productivity and deservingness schemas of bankruptcy, as well as that of welfare deservingness, capture meaningful information about the discursive space. In this analysis, I project the 300 vectors that represent these three schemas in the discursive space onto two components. PCA uncovers patterns between dimensions in complex data and produces orthogonal components that aim to minimize information loss (Grimmer et al. 2021:162-70). The first two principal components for this 3 by 300 matrix only explain 19% of the total variance (12% for the first component and 7% for the second component). Given the presumed topical

similarities (e.g., poverty, economic recovery) between these schemas, the limited explanation of variance is not necessarily concerning.

Figure 1 (above) visualizes the 50 words closest to each of the cultural schemas of interest. This graph suggests that the economic productivity, bankruptcy deservingness, and welfare deservingness schemas capture unique, if overlapping, dimensions of the discursive space. I interpret the first PCA dimension (on the x-axis) as capturing emotional versus practical terms. For example, on the left side of the graph, there are terms that focus on emotional appeals (e.g., unmoved, grieve, chivalrous, sorrowing). On the right side of the graph, there are practical, economic terms (e.g., overcapitalized, monetization, reloan, unmatured). The second PCA dimension (on the y-axis), captures a dimension of individual agency vs. structure. At the top of the graph, terms focus on structural factors (e.g., overdevelopment, overburdened, stagnate) and passive physical actions (e.g., handtomouth, prostrate). By contrast, the bottom of the graph consists of terms that relate to an individual's economic actions and motives (e.g., ungenerous, excusing, defalcation, pastdue). This analysis reveals that welfare deservingness was overwhelmingly discussed using emotional appeals, with more limited variation in terms of the structural versus individual factors. By contrast, both economic productivity and bankruptcy deservingness were discussed more in terms of practical economic terms than welfare. However, whereas economic productivity was largely discussed in structural terms, bankruptcy was framed in terms of individual economic actions and motives. Nevertheless, the overlap between these different schemas within the PCA (especially for the first component) reconfirm the core argument that the moral and economic domains remain inextricably intertwined (Fourcade and Healy 2007).

### *Corpus of American Historical English (COHA), 1920-1939*

As discussed in the min text, I also conduct analyses on the Corpus of American Historical English (COHA). COHA is a genre-balanced dataset of historical American English magazines, newspapers, novels, and academic publications with a national scope from 1800 to 2000 (Davies 2010). It has been successfully employed to examine historical cultural associations in the United States (Garg et al. 2018; Hamilton et al. 2016). This comparison allows me to determine whether the schematic associations revealed in the Congressional Record analyses were idiosyncratic to federal legislators or if they were shared across American society during this time period.

Due to data size constraints in the size of the COHA dataset (following Hamilton et al. 2016), I model the 1920s and 1930s together. This results in a dataset that contains a sample of 22,293 texts published between 1920 and 1939.<sup>5</sup> While the temporal mismatch between these two datasets is not ideal, past research suggests that perceptions of bankruptcy were relatively stable between the 1920s and 1930s.

This dataset was pre-processed using the same steps as in the main Congressional database. The only difference in text pre-processing was that I did not remove state, territory, and legislator names in the COHA database. The final COHA dataset from 1920 to 1939 is somewhat larger than the Congressional Record dataset. After pre-processing, it contains 47,477 unique terms out

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<sup>5</sup> Pre-trained word2vec embeddings of this corpus are available (Hamilton et al. 2016). I did not employ them so that I could align all pre-processing steps and model parameters with the Congressional Record analyses.

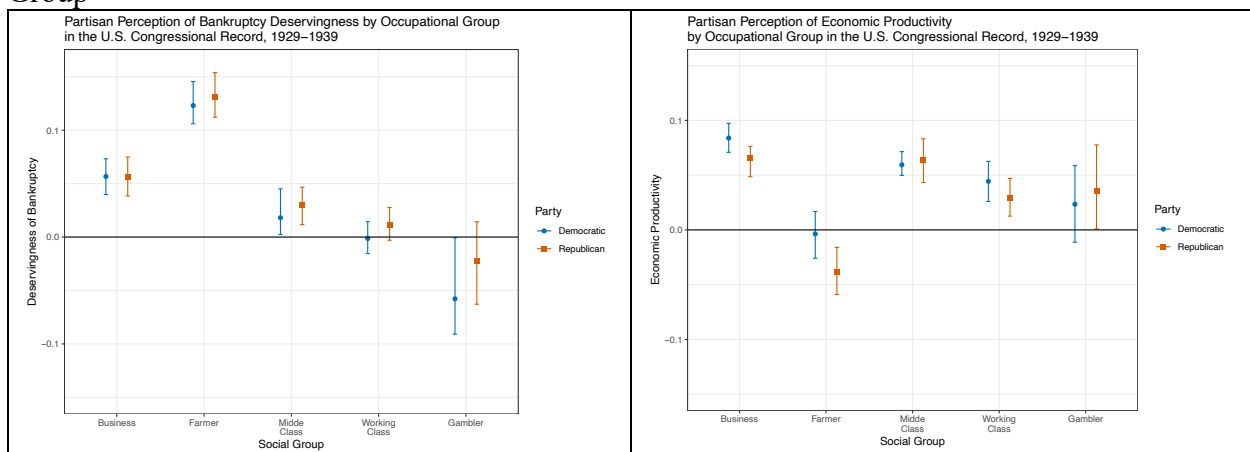
of 43,809,459 words across 3,453,720 sentences. I made two adjustments in embedding analyses. First, given the relatively small number of texts, to create the bootstrapped samples, I sample on the level of the sentence rather than the text. To reduce computational cost, I only created 40 bootstrapped samples (Nelson 2021). All subsequent steps for model alignment and vector distance analyses are identical as in the entire Congressional Record analyses. As noted in the main text, there are some differences between the COHA and Congressional Record wordlists. All differences are marked in Table 3 with an *x*.

Across all estimates, there is a 0.86 correlation between perceptions of productivity in COHA and the Congressional Record. By contrast, there is a more moderate correlation (0.55) in perceptions of deservingness between these two corpora. Whereas estimations of economic productivity were consistent between elite discourse and federal legislators, they drew different boundaries in the deservingness of social groups.

### *Partisan Perceptions of Economic Productivity and Bankruptcy Deservingness*

The Congressional Record word embedding analyses presented in the main text (Graphs 2-7) provide evidence of patterns in perceptions of productivity and deservingness by social and occupational groups. Nevertheless, it is possible that analyses conducted on the entire legislative corpus obscure significant partisan dissension in legislative speech during this time period. As such, I conduct word embedding analyses that are subset to capture only Democratic legislators and Republican legislators' speech. Speeches by legislators who did not belong to a party were dropped. Speeches were pre-processed identically as in the overall Congressional Record Corpus. As with the COHA analyses, I only created 40-bootstrapped samples. The terms in the two corpora were aligned via Procrustes alignment. The final Democratic corpus after Procrustes alignment contains 20,890,284 words across 681,084 speeches, while the Republican corpus contains 13,331,300 words across 489,725 speeches. These datasets contain 17,791 unique terms.

Figure 2A-B: Partisan Perceptions of Economic Productivity and Deservingness by Occupational Group



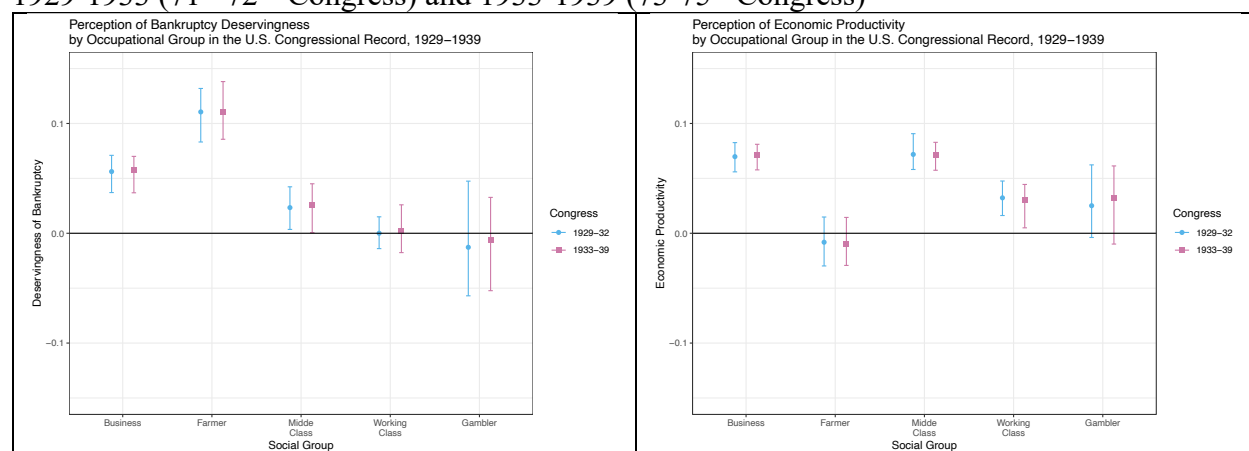
These analyses reveal that Democratic and Republican legislators perceived major occupational groups' deservingness and productivity in broadly analogous manners. See Figure 2A and 2B

above.<sup>6</sup> In particular, their perceptions of deservingness are nearly identical. There are larger partisan differences in perceptions of economic productivity, in which Democratic legislators may have described business and farmers as more productive than Republican legislators. Neither difference is statistically-significant at the level of  $p < 0.05$ . These analyses align with past scholarship that note low levels of discursive conflict in partisan speech in the 1930s (Card et al. 2022; Gentzkow et al. 2019). The absence of partisan difference in perceptions of economic productivity and deservingness provides additional evidence for the consensual legislative process leading to the enactment of the 1938 Bankruptcy Act.

### *Perceptions of Economic Productivity and Bankruptcy Deservingness Across the Great Depression*

The Congressional Record analyses may also obscure changing perceptions of bankruptcy over the course of the Great Depression. As such, I conduct subsample analyses that are segmented into the 71<sup>st</sup>-72<sup>nd</sup> Congresses (March 1929 to March 1933) and 73<sup>rd</sup>-75<sup>th</sup> Congresses (March 1933 to March 1939). We might expect perceptions of bankruptcy to differ across these time periods because of recovering economic conditions in the latter half of the 1930s, change in governing party (President Franklin Roosevelt replaced President Herbert Hoover in March 1933), and because the failure of the Hastings-Michener Bill and the 1933 Bankruptcy Amendments led to a reconfiguration of bankruptcy debates. The data and analyses procedures are identical to those employed to conduct the partisan subsample analyses. The final 71<sup>st</sup>-72<sup>nd</sup> Congress corpus after Procrustes alignment contains 15,311,538 words across 556,204 speeches, while the 73<sup>rd</sup>-75<sup>th</sup> Congress corpus contains 15,523,316 words across 667,982 speeches. These datasets contain 18,345 unique terms.

Figure 3A-B: Perceptions of Economic Productivity and Deservingness by Occupational Group, 1929-1933 (71<sup>st</sup>-72<sup>nd</sup> Congress) and 1933-1939 (73<sup>rd</sup>-75<sup>th</sup> Congress)



<sup>6</sup> The associations in these partisan and temporal subsamples are different from the overall legislative word embedding analyses. As these samples are substantially smaller than the overall corpus, many words present in the overall corpus did not reach the threshold for inclusion and were dropped in analyses. As such, vector distance analyses were conducted on truncated wordlists. This limitation is why I do not conduct more fine-grained occupational, gender, and racial analyses. I am able to confirm on the overall corpus that these limited wordlists produce similar associations. See asterisks (\*; partisan) and plus signs (+; temporal) in the word lists above.

The results show that perceptions of bankruptcy deservingness and economic productivity are effectively identical in the first and second half of the Great Depression. The absence of major shifts in perceptions of bankruptcy may be surprising. However, in conversation with the COHA analyses, which reveal similar discursive patterns despite covering the 1920s, this suggests that the schematic associations of bankruptcy petitioners were relatively stable over time. The easing of legislative conflicts over bankruptcy over the course of the 1930s were not due to the emergence of these schemas. Rather, these schemas succeeded in shaping the creation of a voluntary Chapter XIII on a consensual basis once legislators and interest groups agreed to drop the administrative bankruptcy system in lieu of a judicial system. Together these subsample analyses also suggest that more fine-grained analyses using contextual embeddings are not needed to understand the discursive space.

### *Conclusions:*

As part of an abductive research process, quantitative text analysis on large corpora of legislative speeches and non-legislative elite discourse allows me to confirm expectations generated through interpretive readings. Well-validated, locally-trained static word embedding analyses (word2vec) build upon qualitative text analyses to verify that a schema of deservingness meaningfully explains variation in bankruptcy discourse, alongside that of economic productivity. Occupational and social groups that were evaluated as deserving also align with those who were disproportionately petitioning for personal bankruptcy protections during this time period. Additional analyses confirm that overall Congressional Record associations are not masking partisan differences or changes in perceptions about bankruptcy over the course of the 1930s.

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