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Bankruptcy reform hurts struggling families

BYLINE: Robert Gordon

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WASHINGTON - For a president who has spoken eloquently about America as "the land of the second chance," George W. Bush is grimly committed to stripping second chances from millions of families.

That's the message of the bankruptcy legislation facing the Senate this week. Together with Mr. Bush's Social Security plan, that bill would undermine basic American social insurance and take away dignified futures from decent Americans whose lives fell short of their hopes.

Today, one American household files for bankruptcy every 20 seconds. According to a February study by professors at Harvard University, half of those filings followed sickness or major medical expenditures. Many others came after pink slips.

Bankruptcy hits Americans from all walks of life; most filers worked tough jobs, owned homes and finished some college. But the fastest-growing group going broke is senior citizens.

The new bankruptcy bill provides a new push against these Americans. The measure is intended to collect debts from those able to pay, but supporters acknowledge that no more than 10 percent of debtors fall in that category.

The law's centerpiece would subject all debtors looking for a fresh start to take a complicated test with elaborate forms to determine if they are able to pay. Debtors who passed the test still would be able to wipe away unsecured debts such as credit card bills even as they forfeited many assets in what is called a Chapter 7 bankruptcy. Those who failed would be forced to continue to pay their credit card bills in what is known as a Chapter 13 bankruptcy. The test would be applied by the bankruptcy court.

This proposal was rejected by federal reform commissions in 1973 and 1997, and for good reason. With the new test, a creditor could force an impoverished parent who just lost a job into a long and costly hearing to determine if he or she can cough up a few more dollars.

Penniless people would need to find hundreds of dollars for new legal fees. Because the test is rigid, many responsible families wouldn't get the debt relief they need. Workers who lose good jobs and end up earning the minimum wage would spend years scrambling to pay off credit card companies with money they don't have.

This proposal weakens a unique American protection.

Many European countries have provided able adults with generous supports such as long-lasting unemployment insurance and a guaranteed minimum income. The United States has been much stingier.

We've valued hard work and entrepreneurship over certainty and safety. But since the 19th century, we've also had a backstop: a bankruptcy law that forgives debts more easily. Reducing the costs of failure encourages the economic risk-taking we want. It's also the right thing to do: Because we don't stop families from falling down, we make sure they're able to get up. The Bush proposal replaces that American fresh start with a bureaucratic obstacle course.

This is especially troubling at a time when Social Security reform promises to create more families who need bankruptcy relief.

Social Security and bankruptcy reform are a double whammy for seniors in trouble. Seniors who don't do well with private accounts would be more likely to go bankrupt, and then less likely to get the relief they need. More would be pushed to divert money from buying food and medicine into paying down credit card bills.

Democrats are united against the Social Security measure, but many, including Maryland Sen. Barbara Mikulski, have supported bankruptcy reform before. The industry pressure is enormous: Credit card companies alone stand to make \$1.5 billion more a year.

But if being a Democrat means anything, it should mean standing up for good people who hit hard times. In fact, although Mr. Bush is clearly committed to Social Security reform, a man who believes in the second chance might also give that bankruptcy bill a second look. America should be an ownership society, not a merciless one.

Robert Gordon is a senior fellow at the Center for American Progress and served as director of domestic policy for the Kerry-Edwards campaign.