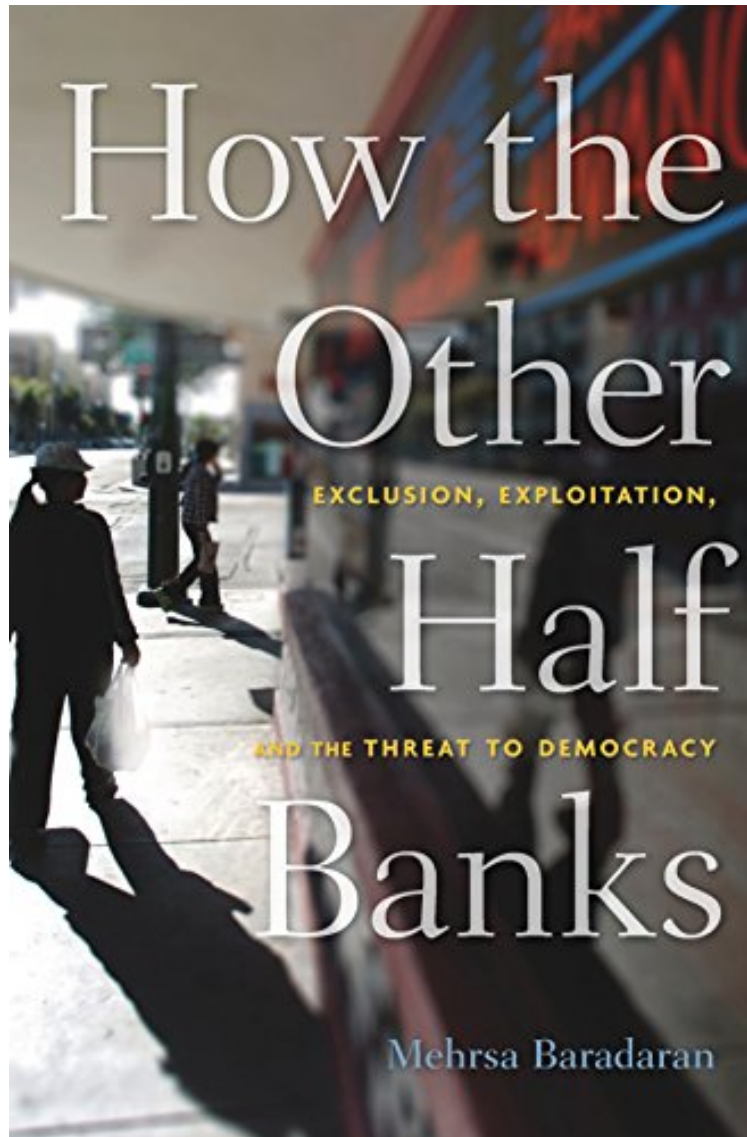


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# How the Other Half Banks: Exclusion, Exploitation, and the Threat to Democracy

Mehrsa Baradaran

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**Mehrsa Baradaran : How the Other Half Banks: Exclusion, Exploitation, and the Threat to Democracy** before purchasing it in order to gauge whether or not it would be worth my time, and all praised How the Other Half Banks: Exclusion, Exploitation, and the Threat to Democracy:

16 of 16 people found the following review helpful. An engaging, informative trip through the history and present of banking as it relates to the poor. By Sam You can't get through Professor Baradaran's book without becoming more informed. Over the last half decade or so, a lot has been written about the financial crisis. And

Professor Baradaran has made a worthy contribution to this crisis library. She doesn't spend a lot of time retreading what we've seen in other books—she doesn't really trace the machinations associated with determining whether to save the banks, and which banks to save, or the details of the financial instruments that blew up, or much of the current intrigue. Instead, she lays out the history of banking, with a focus on its relationship to the state. Banks, she explains, have been controversial in the United States since its founding; they're essential to grow an economy and put money where it needs to go but, by gathering money together, banks can accrue outsized power and influence. Originally, banks in the U.S. were local; only during the Civil War, when the country needed lots more money than it had, banks really become national. And even then, they were tightly regulated. That regulation ensured both that the banks received necessary support from the government, and that the banks were roughly democratic in how they treated depositors and borrowers. Even with regulation, though, banks tended to shift power to urban areas and to the wealthy, at the expense of the rural and the poor. In her book, Professor Baradaran traces several good banking movements (including credit unions and savings and loans) that were originally meant to provide banking services to a broader population than the banking industry did. She also traces the downfall of these various attempts, as they either transformed into the banks they were meant to supplement, or otherwise failed. As deregulatory pressures mounted, the banks managed to almost completely shake their social-contract obligations toward the poor, leaving the poor unbanked and at the mercy of expensive and sometimes-unsavory fringe lenders. She explains in significant detail why this state of affairs is bad, and recommends a solution (postal banking, but you'll want to read her book to understand why).

1 of 3 people found the following review helpful. The Borrowers at the Fringe By Darwin

If one of your brethren becomes poor, and falls into poverty among you, then you shall help him.... You shall not lend him your money for usury.-- Leviticus 25: 35-37

I should disclose right upfront that I know and am friends (probably closer to acquaintances, since we share several friends and geography prevents us from actually breaking physical bread) with Mehrsa. But she didn't give me the book. I bought the HB version of her book and the audio version as well because I was genuinely interested in these subjects. Financial policy is one of my hobbyhorses, and the literature (JR, The Big Short, Flash Boys, Cosmopolis, The Bonfire of the Vanities, etc), both fiction and nonfiction, that surrounds money I find super interesting. Some of this is probably due to my background. I started off my working life as a policy analyst in an eastern state and now work as a financial advisor out West. My job used to be to analyze policy proposals and new regulations. Now, I work in the financial industry. Anyway, I've decided this year to try and read three or four nonfiction book on the financial industry. I started with Bad Paper, read this one, and will hopefully get to Dark Money and The Money Cult before the end of the year. In this book Professor Baradaran lays out the theoretical and historical basis for a public option (the US Post Office) to serve the large segment of the American populace that is underserved (read this book and you will be shocked by just how underserved AND just how many) by traditional banks and credit unions. This large segment is often preyed upon by the payday lending and check cashing industries which, from my own vantage point, are industries that add very few positives to the US economy. As we see income disparity grow, and the poor disenfranchised not just from civic life and political participation, but also banking, we are sowing the seeds of trouble for our democracy. This book carefully lays out the problems, the history, solutions of the past, current alternatives and roadblocks to change, and points to probably the most viable policy option. Given the nature of Congress' polarization and inability to act on some of the most basic responsibilities of governing, I don't hold much hope of change in the near future. But as demographic changes swell the underserved, as certain parties (like banks) continue to shrink their tent, at some point there might be enough energy and support for real, public option, banking reform\*. And at that point, this book will be VERY important. Professor Baradaran is not Michael Lewis. She didn't weave her book into the life of some fascinating character that drives the narrative through the channels of postal banking. One of the byproducts of the Michael Lewis era of financial reporting is there is this unspoken expectation of the sexy and the sensational. There needs to be narrative arcs and glitter, and perhaps even a banker in a strip club. I'm saying that only partially in jest. The reality is that form of reporting has its place and certainly is enjoyable. And while I often love Lewis' ability to dance through a financial derivative with a bit of prep-school swagger and keep his audience semi-erect during a lesson on dark pools, most banking policy AND most banking issues are, by design, not meant to be read on the beach or seen on the Big Screen. Mehrsa is not writing New New Journalism. This book won't get optioned for a movie. Sorry Mehrsa. :( This is a book that ends with 86 pages of notes. That is one page of notes for about 3 pages of text. This is a well-crafted, scholarly, peer-reviewed, piece. Her logic, arguments, and writing are tight. Tight. The pieces of this book seem to fit like some Incan stonemason's master puzzle. No Mortar. No knifable clefts. Solid and clean. This book is, at heart, a policy brief. But here is the analogy I used with my wife last night: There is a story about Velvet Underground's first album told by Brian Eno. While Velvet Underground and Nico sold only 30,000 copies in its early years, "everyone who bought one of those 30,000 copies started a band." This book is NOT destined to compete with a Michael Lewis bestseller. It won't get optioned. But like money deposited in a bank with a very low reserve rate, some books (and some albums) are big idea multipliers. And who knows, perhaps, everybody who reads this book will also start a band.\* Also, if you read this book, you should also check out the Post Office Inspector General's white paper Providing Non-Bank Financial Services for the Underserved

1 of 2 people found the following review helpful. Five Stars By Ann

Bea Phenomenal explanation of the relationships involved.

The United States has two separate banking systems—one serving the well-to-do and another exploiting everyone else. Deserted by banks and lacking credit, many people are forced to wander through a Wild West of payday lenders and check-cashing services thanks to the effects of deregulation in the 1970s that continue today, Mehrsa Baradaran shows.

An important voice—[Baradaran's] excellent new book, *How the Other Half Banks: Exclusion, Exploitation and the Threat to Democracy* describes how, for decades, big banks have shed their social contract with the American public and transformed themselves into modern monstrosities which serve corporations and the wealthy and exploit or avoid the less affluent members of our society. Setting the stage with this historical context, Baradaran makes a compelling case for a postal banking system which would greatly benefit millions of struggling 'unbanked' Americans. (Ralph Nader Huffington Post 2015-11-13) The title of [Baradaran's] lean, angry book echoes the photojournalism of Jacob Riis, whose 1890 work on the slums of New York, *How the Other Half Lives*, spurred a housing reform movement. In a society built on credit as a means to wealth, low-income families deserve a much better deal, Baradaran argues. People do not opt for expensive products because they do not know any better, or are somehow reckless or irresponsible. They do so because they have no choice. And that is a national embarrassment. (Ben McLannahan Financial Times 2015-11-13) Baradaran argues persuasively that the banking industry, fattened on public subsidies (including too-big-to-fail bailouts), owes low-income families a better deal. *How the Other Half Banks* is well researched and clearly written. The bankers who fully understand the system are heavily invested in it. Books like this are written for the rest of us. (Nancy Folbre New York Times Book 2015-10-06) Mehrsa Baradaran's terrific book, *How the Other Half Banks*, argues that we could and should ask banks to serve the poor and working class once again. In particular, post office banks (with storefronts and websites both) could provide those missing banking services: a place to park cash, earn interest and take out small amount loans. The idea is not hers originally, but she seizes and expands on the idea brilliantly and at great length. In particular, she advances the case for postal banking by reviewing the country's earlier experience with postal banks, and by linking that experience to the modern problem of missing services for the poor and working class. One can appreciate why the policy world has come to Baradaran for her expertise, and this book will constitute a central contribution to the debate. I will recommend this book to all who are interested in structural racism. Baradaran demonstrates how the the post-deregulation restructuring of banking has disproportionately impacted communities of color, and how postal banking and other public options might bring them back into the fold once more. Baradaran's revival of postal banking, and her description of the disappearance of services in the wake of deregulation, is fresh and engaging, and I highly recommend [the] book for all who are interested in the structure of inequality. (Daria Roithmayr JOTWELL 2015-10-02) Steadily shedding low-profit clients, American banks flourished during three decades of deregulation, but, when the crunch came last decade, the U.S. government's putting we-are-all-in-this-together rhetoric crushed to their rescue. In good times, banks are free-market players. In bad times, they have all the comforts of state agents. The author's emphasis is not on curtailing megabanks' privileges; a reader could get the impression she thinks that case too obvious for lengthy exposition but on providing secure, low-cost credit for those who need it most. Her back-to-the-future solution is postal banking. Although the idea sounds terribly old-fashioned it hasn't been seen in the U.S. since the 1960s more than 50 nations, including Japan and Germany, maintain a vibrant postal-bank system, a pillar of their strong savings cultures. (Brian Bethune Maclean's 2015-10-26) Baradaran charges that nearly half of the American population has been deprived of access to financial services at a fair price thanks to financial deregulation. A comprehensive addition to the ongoing discussions of both inequality and the financial system. (Kirkus's 2015-08-01) A fascinating in-depth view of why and how so many Americans struggle to find affordable banking services. Modern finance provides great opportunity but also many risks, through hidden fees or even outright deception. The crisis of 2008 was not an aberration and we have not fixed the deep-seated underlying problems. A must read for anyone who aspires to build financial security for themselves, for their family, and for the nation. (Simon Johnson, coauthor of *White House Burning* and *13 Bankers*) Do banks have a public responsibility to serve the poor? This captivating book argues that they do. A fresh and provocative perspective on the very old problem of the poor and debt. (Patricia A. McCoy, coauthor of *The Subprime Virus*) Thoughtful and exhaustive. (Helaine Olen *Democracy* 2016-01-01) Important and comprehensive. *How the Other Half Banks* is a fascinating read, and Baradaran has done a masterful job of turning what could be incredibly dry material into a well-paced, accessible chronicle of how the consumer financial services industry has changed since the beginning of the republic. She traces the history of the relationship between the banking industry and the nation, and shows how banks have gained more power, leaving the less well-off excluded and exploited. *How the Other Half Banks* tells an important story, one in which we have allowed the profit motives of banks to trump the public interest. Baradaran is right to take a pragmatic approach to these issues, as it seems unlikely that there is sufficient political will to renegotiate the social contract between banks and government so that it once again favors the public. (Lisa J. Servon

American Prospect 2016-02-03)About the AuthorMehrsa Baradaran is an associate professor at the University of Georgia School of Law.