

# The American Dream

A History About Credit

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# Abstract

The American Dream is a concept that includes several spectra of the economic cycle in the U.S. It also actualizes values such as self-fulfillment, hard work and possibilities to achieve a better life irrespective of one's background. The discussion of what The American dream is, what it has become and how you can achieve it, varies depending on whom you ask. According to several scholars traditional values regarding the dream seem to have shifted and gone from noble ideas to more materialistic ones. If the American Dream has become a dream about plenty it would also mean that it is not only achievable through hard work but could also be financed using modern credit channels. After discussing a possible shift of content regarding the Dream and how one can obtain it, I will examine individual's propensity to purchase on credit. Furthermore, what impact education seems to have on a people's way of spending using credit. I will make use of a quantitative method and a regression analysis (using data from a national telephone survey involving 752 individuals) to study the extent individual's level of education affects and correlate with the amount of credit debt a person is willing to take on. The theory offers an extensive debate about whether education promotes or prevents individuals to consume using credit in America. My work fore holds two distinguished advocates (Sprengrer et. al and Hume) representing two different sides of the debate concerning what impact education has on an individual when it comes to the use of credit. They will constitute the grounding for two hypotheses regarding the subject. The result of the performed analysis indicates that education correlates with a decrease in the propensity to consume using credit. The support found and given its strength, means most likely that there are other factors in addition to the variables I've used, which affect consumers and their propensity to use credit.

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# 1 Introduction

In 1995 President Clinton loosened housing rules by rewriting the Community Reinvestment Act, which put added pressure on banks and pushed for new ways to get lenders to give mortgage loans to buyers with shaky financing and incomes. This erosion of lending standards resulted in higher prices by increasing demand, which later led to many defaulting on property they could not afford (Time, 2009)

This paper discusses the controversial concept “the American Dream”, a term that seems to have originated with the historian James Truslow Adams (1931) who defines it as:

“Life should be better and richer and fuller for everyone, with opportunity for each according to ability or achievement”

In the discussion surrounding the American Dream, there is a distinct line of conflict between idealists and skeptics. Idealists like Adams, believe that the dream is about hard work, an achievable “better life” regardless of the situation that you are born into and what social class you belong to. Skeptics believe that the dream is about an endless quest for material things. Adams insisted that the American Dream is about more than “motor cars and high wages”. The fact that he needed to comment on it, might be an indicator that most Americans during that time (the Great Depression) defined the dream as “better and richer and fuller,” meaning more tangible assets (Lendol Calder 1999, p.4).

In the book “Financing the American Dream” Lendol Calder writes that the American Dream includes noble goals, such as freedom, self-fulfillment and a better life on the one hand. On the other hand, it is a dream of physical possessions to secure these objectives. According to Calder, the American Dream, is thus both a set of ideals whose value cannot be measured in economic terms, but also a wish list of material things with an expensive price tag (ibid. p.4)

Lendol Calder is not the first to explore the concept of the American Dream and its true meaning. Although many scholars have debated the concept over the years, it still remains unclear. According to Calder, the dividing line between the noble idea of a “dream” and the portrayal of the same dream as a materialistic wish list can be explained by one recurring phenomenon. He says “It is not unusual in human history for means to become confused with ends, and even replace them”. Calder argues that it is historically common for people to confuse “means” (how to get to the better life) with the “ends” (target). The tools of achieving a better life tend to become what defines that “better life”.

This becomes problematic since “the means” are not only likely to be confused with, but also tend to be more expensive than “the ends” (Calder 1999, p.4). The freedom to pursue happiness was given a rather materialistic interpretation, and consumption was promoted as a vital component of happiness says Calder (Ibid, p.46).

The phenomenon pointed out by Calder includes the explanation that in general, people dream of a life that is often economically beyond what they can afford and economically impossible to achieve.

Questions emerging by a growing number of Americans that tend to surround themselves with possessions such as cars and houses are: How is this possible? How do Americans finance the American Dream? Calder’s explanation to these questions is connected to access to consumer’s credit. Consumer credit is a service that extends credit to consumers through regular business channels for them to be able to purchase goods and services or to refinance debts incurred for such purposes. According to Calder, it takes more than a credit card to achieve the American Dream. However, since the 20th Century, consumer’s credit has been the deciding factor in the pursuit of what is referred to as the good life (Calder, 1999, p.5).

## 1.1 Some Delimitations

In the attempt to study how “the American Dream” appears practically and what impact it has on the American individual, it becomes a natural step to look at the individual and the dream’s economic context. Whether the “dream” is about being able to buy a house and a car, or if it is actually about self-fulfillment and freedom, it seems “the dream” in either case leads to people spending money.

The fact that people are spending money is a key factor in any economic system. The free market with its capitalist design is a defining feature of the U.S. A free market with comprehensive economic freedoms and includes components such as:

- The individuals’ freedom to conduct business with a personal profit or economic self-interest,
- Corporate freedom to engage in profit-making activities.

These are all fundamental and driving forces in the U.S. and have contributed to America’s economic success. However, the U.S. is an economic environment that has influenced individuals’ values over time regarding credit and the propensity to borrow. Since the U.S constitutes the most prominent arena on which the American dream becomes actualized, it seems natural to let the country itself constitute the frame of this essay. The American dream in turn, brings to the fore the use and the establishment of credit, an area where the U.S can be viewed as one of the leading promoters regarding the emergence of the credit system in the world.

“An unleashing of the profit motive has led to a materialistic society where the quest for personal gain overshadows religion, tradition, voluntarism, and patriotism. It is evident in the consumption culture and its promotion and in the Faustian bargains involving the exchange of personal freedom for debt”. This was written by Shanaan (2012), author of the book: *Economic Freedom and the American Dream*. He believes that some of America’s finest attributes are lost in the pursuit of the American Dream. (Shanaan 2010, p. 3)

A review of the previous discourse on the American Dream shows that researchers have chosen different ways of operationalizing the concept based on the methodology used. Likewise, the results have often been affected by the study’s starting point and what it chooses to focus on.

Lendol Calder adopts a national approach and focuses on the individual. Using a descriptive method over time he attempts to explain the cultural significance of consumer credit and the nature of American consumer culture. Shanaan on the other hand, has chosen to look at this through a market perspective. He uses a more qualitative method to problematize what economic effects the American dream has for the individual but also for the wellbeing of the nation’s economy. In view of this, I intend to overview possible factors that seem to have an impact on the way people use credit. I also want to discuss: the driving forces regarding people’s tendency to take on debt.

My intention is also to investigate and examine if the content of the American dream has changed. If the content has changed from being a noble idea, a dream about self-fulfillment and freedom achievable through hard work, to becoming an idea about plenty and something that one can buy, one question in particular arises: Who can afford the American Dream?

According to Lendol Calder (1999, p. 16) the answer is likely to be found in the 1950s when the credit era is often said to have its origin. Through the establishment of the modern credit system, the average American could afford a lifestyle which otherwise would have been impossible. The good life “the Dream” had stood for was no longer only achievable through hard work, but could now be financed with the establishment of the credit system. This lead me to another question vital to my examination: Who makes use of consumer credit?

The connection between the American Dream and credit will be made through a description of how the content of the concept seems to have changed and how the way one can attain it has changed. In short, if the American Dream has become a dream about plenty, who makes use of consumer credit, and to what extent do these people use credit to achieve what they want?

## 1.2 Purpose and Research Question

According to the definition stated in the beginning, the American Dream is undeniably a concept that surrounds people’s wishes and desire for a better life, one with economic security and plenty of possessions. In order to finance the American Dream people tend to take on debt. This paper will discuss the



American Dream on the basis of an individual's perspective. My purpose is to examine the extent to which an individual's level of education affects and correlate with the amount of credit debt he or she is willing to take on.

### 1.3 Research Question

How does formal education impact an individual's propensity to purchase on consumer credit?

### 1.4 Definitions

My definition of credit is based on Lendol Calder's (1999, p. 5) definition. Consumer credit is a short- and intermediate-term credit extended to individuals through regular business channels, usually to finance consumer goods such as furniture, cars and services like healthcare and vacations.

Formal education is based on the definition used in the data set (2009): Formal education is something attained in High school, University or College.

## 2 Theory

### 2.1. Consumption

Similar to Calder, in her book “The Story of Stuff” Annie Leonard points to the 1950’s as a possible explanation to why people tend to consume in the pursuit of “a better life”. From what Leonard writes in her book, the shift of content regarding the dream and how one could attain it, “did not just happen, it was designed” (Leonard, Annie, 2010, p.160)

While stewardship, thrift and resourcefulness were values held by people 50 years ago today’s picture of what people value is a whole different one. Leonard brings up Victor Lebow. He was a retail analysis and articulated a solution that would according to Leonard become the norm for the whole American economic system. Lebow wrote,

“Our enormously productive economy demands that we make consumption our way of life, that we convert the buying and use of goods into rituals, that we seek our spiritual satisfactions, our ego satisfactions, in consumption. The measure of social status, of social acceptance, of prestige, is now to be found in our consumptive patterns. The very meaning and significance of our lives today expressed in consumptive terms. The greater the pressures upon the individual to conform to safe and accepted social standards, the more does he tend to express his aspirations and his individuality in terms of what he wears, drives, eats- his home, his car, his pattern of food serving, his hobbies” (Lebow, 1955, p.7-8)

The history and discussion of financing the American Dream can be seen as a result of a larger development in American history and a transformation of American culture where consumption and consumer credit has historically had an important role to play.

Calder writes in his book “Financing the American Dream”, that it would be ridiculous to write a history of a medieval European town without noting its

cathedrals. It raises the question: Can the 20th Century America be understood apart from its department stores and shopping malls? Labor, commerce, education but also leisure and shopping centers all constitute common denominators of America's national life. According to Calder, these could be considered symbols of the existing cultural order in which Americans live and move and operate- a culture of consumption (Calder, 1999, p.6).

Leold Calder claims that consumer credit has played a vital role in determining the nature of consumer culture and sustaining it over time. Therefore I find it necessary to define what is meant by culture and consumption. In order to do so, I will make use of Leold Calder's own definitions:

-Culture includes the knowledge, language, values, customs, assumptions and material objects that are passed on from one person to another, one generation to the next, in order to instruct people how to live. Additionally, culture includes necessary codes and rules between individuals in order to reach some kind of order, productivity and well-being.

-Consumption on the other hand refers to something that includes all the ways human beings interact with goods beyond the point of their own physical manufacture. It includes not only the use of goods but likewise the dreaming, shopping, buying, personalizing and disposing of commodities, as well. Historians have emphasized that consumption is not necessarily only the satisfying of material needs, but it is generally the idealized practice taking place in people's heads. It is a mental and emotional process, which turns commodity goods into building blocks in the construction of a personal identity (Calder, 1999, p.6,7).

Using the definitions listed above in combination, the culture of consumption can be understood as a particular way of living and an attempt to make sense of all the buying, selling, using and disposing of possessions in which manner most people tend to conduct their affairs.

“It defines ‘the good life’ not mainly in terms of satisfying work, economic independence or devotion to God or any other ideal honored by people past and present, but rather is dedicated to the proposition that “good living” means having lots of goods. Goods bought in the market, made by unknown hands, more goods this year than last year and all these “things” that according advertisers “would make life worth living” (Ibid p.7).

According to Calder, the culture of consumption surpassed Victorian producerism, Christianity and republicanism to become the foremost cultural authority for American society during the 20th Century.

Consumer credit was realized in its importance in building the culture of consumption. With the help of credit, people could consume in a whole different manner. And according to Leold Calder's examination on this very topic, one can

see quite clearly that personal debt due to credit increases with time. Consumer credit became the way of financing the good life, something that is represented by the American Dream. Calder states that "...since the 1920s the most crucial element in the pursuit of the good life has been access to consumer credit" (Calder 1999).

## 2.2 Background

To be able to reach a deeper understanding of whether the American Dream has gone from a noble idea and hard work to a concept that justifies purchases on credit, it is important to elucidate what the actors and influential factors are.

I am aware that, to a large extent, the American dream and extended credit involve the economic system as a whole, including companies and enterprises. Nevertheless, it is the set of ideals which emphasize freedom, the opportunity for prosperity and success for every individual. Because of the diversity of actors involved when talking about the Dream, this examination will serve as a study with its main focus on the individual.

Further restrictions will be made regarding the part of "the Dream" that focuses on the individual's opportunity to start businesses. This will not be a subject of further investigation since it is very rare to use credit (as I define it) as initial capital in order to start a business. Focus will be on the individual's use of credit in his attempt of achieving the Dream in terms of tangible assets.

By focusing the study on the individual level I hope to be able clarify whether it is justifiable to speak of a conceptual shift or not, regarding the content of the American Dream. If such a conceptual shift has occurred regarding "the dream" and how one can attain it, I expect to notice a change in people's behavior and the way they make use of consumer credit.

My overall ambition is to be able to somewhat clarify; which group in society is likely to buy into the American dream, as something that can be financed using credit. This brings up two questions: Which group in society tends to buy into the American Dream? How can one measure people's propensities to purchase and take on credit debt?

## 2.3 The History of Consumer Credit

How did the concept of consumer credit become morally acceptable so that consumers could "borrow" money and feel good about it? In order to approach

such an ingrained idea as the American Dream that often seem to be financed by using consumer credit, a historical retrospective is necessary

The credit era is often said to have begun somewhere during the 1950s. During this period credit cards, the most prominent symbol of consumer of today's consumer credit (except the consumer himself) was introduced. (Calder, 1999, p. 16)

Consumers credit is older than the credit card even though the modern system of credit was established two decades after 1915. It is in this period that we are likely to find the explanation of why credit came to finance the American dream.

From 1920 to 1929 debt per household almost doubled, rising from 388 dollars to 739 dollars. One of the driving forces was literally the driving American. By 1926 every two out of every three cars sold in the America were bought on credit. The car industry was not the only sector confirming that attitudes about consumption had begun to change. Other expensive consumer goods such as jewelry, vacuum cleaners and radios became part of the people's credit plan and were financed with credit (Calder, 1999, p.19).

The actors that extended the largest amount of credit in 1940 were retailers, commercial banks and personal finance companies for example. These actors and their operations have a history that goes further back in time, but it was in the two decades after 1915 that new types of retailers, small-loan lenders and "industrial and commercial bankers adopted new strategies to pursue profit in consumer lending markets. Both of these and the way they operated led to big changes in the way people borrowed money (Calder, 1999, p.17)

The reform of the credit market led to a replacement of private individuals, loan sharks and illegal moneylenders. New institutions that brought capital, bureaucracy and rationalized procedure replaced them. The credit market now became a more continuous, organized and regular system with "legitimate" businesses actors. (Calder, 1999, p.19)

Modern consumer credit was built upon two institutional foundations. These foundations were a method of credit, namely the installment plan, as well as another, which opened up a new array of particular sources, which enabled credit. The former is an idea of credit based upon conditions that the borrower or purchaser repays the loan with fixed payments made at regular times over a specified period. Auto loans and mortgages are examples of installment loans. The latter of the two institutional foundations for consumer credit deals with the channels and sources by which the credit was made possible. This type of consumer credit is what would later be represented by credit cards as we know them. Unlike installment loans, credit cards allow repetitive transactions up to a maximum credit limit, often referred to as "the available credit limit". Each time a consumer charge something, he or she borrows the money until it is repaid (also called revolving credit). If he or she decides to pay the money back over time, the credit card company adds interest charges to the account. Each month, he or she will pay a calculated amount until the borrowed amount is repaid (Calder, 1999, p.17)

After the establishment of consumer credit, the American standard of living could now be bought with the help of consumer credit. Boorstin is a historian seen by many as the first to survey the history of consumer credit. He claims that “consumer credit helped bring into existence “consumption communities”. He writes that these could be seen as new democratic communities binding America together less by place, creed or work than by what people dreamed about, bought and consumed. The idea of a national “fellowship of consumers” was like an early version of a sociological concept that was introduced in the 1970s as—“consumer society”. Furthermore, one can read in Calder’s book, about the structure of the consumer society as resting upon three social inventions: mass production, mass marketing and mass finance or consumer credit. Gorge Ritzer, a sociologist specializing in the social worlds of consumption has even gone so far as to envision consumer credit as the “linchpin” holding consumer society together (Calder, 1999, p.11-12).

Throughout history, consumerism has gone hand in hand with advertisement. Advertising has played an essential role in the normalizing of this particular behavior. But the consumer lenders accomplished what advertisers were unable to do, which was to provide people with the means to turn the expensive consumer dream into an instant reality. The result was million of consumers. (Calder, p.30)

Something that used to be shameful was now an accepted way of living. Credit as a marker of need and poverty was swept aside and turned into a norm among middleclass citizens. Credit was no longer seen as a moral issue to the same extent as it was before. Social scientist Paul Douglass (1930) says that it had moved beyond the stage where it could be condemned or justified, since it had become a more or less universal reality. It was during this time that phrases like “buy now pay later” or “take the advantage of our easy payment plan” became standard phrases in the vocabulary of consumerism. (Calder, p20)

However, in the end, easy payment turned out not to be so easy. Work and discipline were required to be able to pay creditors. The installment plan and installment financing, saddles the borrower with a strict payment schedule and consumers are somehow obligated to commit themselves to financial management. According to some theorists this credit market design and strategy made the consumers have to think of consumption as work. In order to do so they could preserve the relevance of traditional values such as: budgeting, saving, hard work and even thrift. This improved the consumer’s efficiency in the “work” of being a consumer and “...eased the passage from a society oriented around production to a society dedicated to consumption” (Calder 1999, p28-29).

## 2.4 Modernization Theory

Consumer credit is widely noticed and commented on and several theories can be found concerning its role in the economic cycle and what function it has. It turns

out that it exist a distinct line of conflict between scholars concerning what the factors are that leads to an increase in people's desire to consume, a desire that results in an increased propensity to purchase on credit.

Seymour Lipset's theory of Modernization includes most actors and aspects vital to my examination regarding the American Dream. The theory holds democracy as a direct result of economic growth. Max Weber once said "...a modern democracy in its purest form can exist only in the capitalist industrial society" (M. Lipset, 1959, p.39). Seen to the fact that America's economic system is based on a capitalist design and holds a relatively long tradition of democracy, I believe that this theory could be a helpful way in order to understand and determine what factors that influences people behavior to consume.

Lipset fore holds the importance of the middle class in the sustaining of the "good state" (Lipset, 1959, p1), the same middle-income class that David Reisman in his book "the Affluent Society" refer to as the "debtor-class" (Calder, 1999, p.11). Through making the connection between the sustaining of the "good state" and debt among those who are sustaining it, an interesting question in particular emerges: Could it be that consumer credit is the tool with which the sustainment is carried out? In other words, can consumer credit be seen as an invention established and implemented in societies biggest social class in order to preserve productivity and consumerism which both could be seen as contributing to the economic growth?

Seen to the facts stated above, added to the fact that the economic system of America (as most economies) depends on individuals and their ability to consume. The economic growth is preserved and sustained by consuming individuals. Drawn from this it becomes important to clarify what the factors are that impact individuals and the way they consume. The theory of Modernization points out that economic growth results in democracy, which in turn leads to a higher extent of education among the citizens. Since education is mentioned in Lipsets' theory, in terms of rising alongside with economic growth and democracy, it is likely that education constitute one important factor that influences the manner in which people consume. Furthermore it becomes even more interesting to ask, how education influences people. This brings me back and actualizes my research question- How does education impact the individual's propensity to purchase on consumers credit? (Oskarsson et al, 2010, p.30)

## 2.5 Education

Does education (school education) lead to an increase in the financing of the "good life" with help of credit or does a higher degree of education lead to a more rational way of using it?

Stephan Meier and Charles Sprenger (2010) believe education is one factor that impacts the manner in which people consume. Through using a regression analysis they seek to find a correlation between people and their immediate desire to spend and their outstanding credit card balances (which mean debt due to your

credit card). They claim that education is associated with a less rational behavior in the way people chose to consume and make use of consumer credit. It seems that people who have a higher level of education tend to see their degree and professions as an insurance against inability to repay future credit debts. Based on this, one potential hypothesis could be formulated as follows (Hypothesis 1): The more educated you are, the more likely you are to take on irresponsible levels of credit debt (Marc Herman, 2012).

If one side of the debate claims that education leads to an increase when it comes to people's propensity to purchase using consumers credit, David Hume takes the opposing stance claiming that the opposite is true. According to Hume, commerce leads to an increase in thrift by holding people busy in business segments where focus lies on profit. People educate themselves and get involved in activities that they learn to like. This, in turn leads to a decrease in the appreciation the pleasures of spending to an extent where one has to use credit in order to cover the expenses. An infallible consequence of all professions is that they produce thrift and the love of profit tend to defeat the love of pleasures (David Hume, 2012, p197) "Among lawyers and doctors, who have some experience, there are many more who live within the confines of their income than those who exceed it or even consume it in its entirety." (Ibid p.197)

Lawyers and doctors represent groups in society that one could refer to as highly-educated. Drawn from what Hume writes it seems that the highly educated tend to occupy themselves with moneymaking activities instead of spending ones. A possible hypothesis could therefore be (Hypothesis 2): A high degree of accomplished education leads to a decrease in the way people tend to make use of credit.



## 3 Method

In this section I will describe the method I have used in order to answer my research question. I will also detail how I intend to measure and operationalize people's propensity to finance the American Dream with the help of credit. In addition, I will show the data sets I have made use of in order to determine if education leads to people consuming less or more using credit. After a discussion of the structure of my operationalization I will perform it. I will present variables other than education that might influence the way people make use of consumer credit in order to finance this "fuller life". These variables can be viewed as control variables

### 3.1 Measuring People's Propensity to Purchase on credit

With the theoretical approach in mind, we now turn to how one can measure people's propensity to consume and finance the American Dream with the help of consumer credit. This examination will focus on the level of individuals. This delimitation is made even though the American Dream and extended credit involves the economic system as a whole including companies and enterprises. By focusing the study on the individual level I hope to be able to clarify, which group in society is most likely to buy into the American Dream.

Based on the two different views in the theory regarding education and its impact on people's propensity to consume and purchase on consumers credit, I have formulated two hypotheses. Those two hypotheses will be tested through specific questions asked to individuals. Through a statistical analysis of the empirical material, I will be able to understand if education seem to lead to an increase/decrease in the way people consume using credit. These two hypotheses will be tested through specific questions. I will examine if the propensity to purchase on credit goes beyond educational level or not. (Djurfeldt et al, 2003, p147)

According to Calder quantitative methods regarding consumer' credit are not very common, since credit is obviously is an economic topic and most historians lack this particular skill. This has hindered many from examining this topic in a

statistical manner. Therefore I believe it can be fruitful and of significance to study an economical issue in terms of politics and to try to find causality with the help of numbers (Calder, 1999, p.12)

The advantage of using a quantitative method lies in the fact that it is an effective way to find regularities and map out patterns. Additionally, my choice to use a quantitative method is based on my intention to some extent be able to predict what influences the amount of credit debt that the American people tend to take on. Through the use of this method and based on the achieved results I hope to find some kind of pattern that will support a generalization for large group of people. Since my mission in this thesis is to examine if education impacts peoples' propensity to purchase on credit. Using a quantitative method can be seen as well suited since my ambition is to examine a large group of people (752 adults in America) in order to see if their level of education affected the amount of credit they had. The number of study objects therefore also motivates the choice of method. The study and the individuals participating in the study constitute this thesis empirical material.

The disadvantage of using a quantitative method is as known, the lack of validity. In deciding to use this particular method I am aware of the fact that my result could suffer from systematical measurement errors. Hopefully this is something I can avoid through a comprehensive discussion concerning my choice of variables (Teorell et al. 2007, p. 58).

The use of quantitative method can also be seen as a way of simplifying a complex reality. Questions surrounding this issue have emerged such as, to what degree will this study be consistent with how things really are?

In keeping with Calder I have chosen to adopt a national approach on the individual level. This will make it possible for me to cast my nets widely. This has helped me and enhanced my chances of finding a comprehensive set of individual data. Hopefully a national approach will help me to discover a general pattern regarding which factors that influences consumers and the way they make use of credit.

## 3.2 The Study, Primary Source, Material

The study I have made use of is based on a nationwide American telephone survey of 752 adults conducted from April 3- to 8, 2009. This particular survey used a questionnaire that contained a number of economic variables, variables indicating household debt and background variables. All interviews were conducted by Braun Research Incorporated and collected by The Roper Center for Public Opinion Research (a data bank and archive based on public opinion).

Some of the question asked in the survey includes several categories with optional answers such as; I don't know or refuse to answer, all those answers will be coded as missing (meaning that they will not affect the final result of the regression)

### 3.3 Dependent Variable

In my mission to operationalize people's propensity to purchase on credit I have chosen to use the amount of credit debt as an indicator for an individual's propensity. This can be considered the dependent variable. Other possible factors that might influence people and their reasons for purchasing on credit will be viewed as control variables. I believe that credit card debt constitutes an effective indicator of people's propensity to purchase on credit. This is because one can sign up for a credit card but not necessarily use it, while still showing credit card debt. Therefore, a possible assumption could be that; the more credit debt one has, the higher the propensity is to purchase on credit.

The question asked to the respondents in the survey regarding credit debt was: In total, do you owe on your credit cards. Optional answers were:

- 1 Less than \$1000
- 2 \$1000 to LESS THAN \$5,000
- 3 \$5000 to LESS THAN \$10,000
- 4 \$10,000 to LESS THAN \$20,000
- 5 \$20,000 or more
- 8 Don't Know (VOL)
- 9 Refused (VOL)

Since the categories of the dependent variable do not follow a continuous interval I will also perform a binary logistic regression with an alternative coding of this variable (credit debt) using a dummy variable, to make sure that the coding of the variable doesn't affect the result.

The grade of correlation between my dependent and independent variables will be made clear through a linear regression analysis. By using this technique I hope to be able to clarify any correlation and the degree to which the independent variable affects the dependent variable (number of credit cards). Irrespective of what correlation I might find between my variables, I will be able to say something about people's relation to credit and if the propensity to consume using credit is affected by level of education. (Teorell et al., 2007 p.39)

People's propensity to purchase on credit is based on the amount of credit debt per individual. This will hopefully give a pretty good estimation of people's attitudes regarding purchases on credit. The more debt, the more likely it is that a person will make use of consumer credit to finance a comfortable life. So, one could say that the reliability is likely to be high. I am aware of the fact that figures regarding credit debt might be misleading due to "integrity reasons". I also believe that

generally people tend to be prestige-biased when sharing information about private data.

Earlier work regarding this topic has made use of amount of credit cards as an indicator of people's propensity to consume. This is because of a desire to attain a higher standard of living. It is possible that using "amount of credit cards" as a dependent variable could have been an effective way to measure. Perhaps by choosing this, it would have been less likely to be perceived as sensitive personal information (Panchanathan, 2007, p.8) But Credit cards could also be viewed as a less valid indicator on individual's propensity to purchase on credit based on the exact opposite fact, one doesn't have to use the credit cards that one have signed up for. Number of credit cards might not reflect the manner in which people really uses credit. Therefore, credit card debt might be regarded as a more suitable variable to reflect to what degree people tend to finance goods with credit.

### 3.4 Independent variable

The American dream includes most players on the economic arena. As it seem and according to many scholars The American Dream tend to lead to a continuous consumption among the country's citizens. The consumer has undeniably an important role to play in the in the economic system and concerning the economic growth. Lipset in his theory of Modernization asserts that the affect of economic growth is democracy but also a *higher degree of education* among the citizens. Therefore, I find it interesting to investigate if and how education influences individuals, the same individuals that according to Lipsets theory is to sustain the good state. A "sustaining" that interpreted through Shaanan and Calder most likely means through consumption.

Hereby my task becomes to understand if education leads to a decrease or increase in the way people tend to handle credit in the pursuit of a richer and fuller life (the Dream) and therefore education will constitute my independent variable.

I am aware of the fact that my independent variable and some of the control factors that I make use of tend to occur together and that there is a risk for inter-correlation between my predictors. For example, people with higher income tend also to have more years of formal education (Kernell et al. p. 480). This issue will be dealt with, by visualizing the degree of correlation between the independent variable and control factors in one of the table presented in the result part.

#### **-education**

When it comes to measuring whether education leads to a decrease/increase in people's tendency to purchase on credit I intend to compare an individual's highest accomplished level of education with the amount of credit debt. At this stage any credit debt regarding the actual education will be seen as irrelevant, since an potential hypothesis is based upon the idea that it is the accomplished degree what influences people's behavior.

The question asked to the respondents in the survey regarding education was: What is the highest level of education that you have completed? Answers presented was:

- 1 High school or less
2. College, no degree
3. Associates degree
4. Bachelor's degree
5. Post-graduate training or professional schooling after college (master's degree or PhD; law or medical school)
- 8 Don't Know
9. Refused. Answer 8 and 9 will be coded as missing variables.

Using highest level of education in a regression analysis and to measure it by dividing it into categories as stated above is an established way in the performance of regression analyses. I will therefore, maintain the surveys original coding of the variable education (Hoffman, 2005, p.98).

Since education is unlikely to be the only explanatory factor regarding what affect people's propensity to purchase on credit I intend to control for several others. I find it necessary to investigate if there are other potential variables that correlate with debt to a higher extent (than education) or if there are possible false, indirect or spurious connections between my variables. Because of those reasons and for the reliability of this thesis I will control for following variables; income, age, race and gender.

### 3.5 Other Variables

I will in this thesis focus on clarifying if there is a causal effect between education and credit debt. To only look at the affect that education (x) has on credit debt (y) could result in the wrong conclusion of whether education has a causal effect on credit debt. Therefore several variables can be added into the analysis in order to:

- Isolate the affect between x and y in order to avoid the possibility of other potential factors that might have causal affect on the amount of credit debt.
- To find causal mechanisms that explains why x affects y.
- To find additional causal factors in order to improve the explanation of y in total.

Without control variables, any number of causes could produce the observed effect, making it very difficult to determine exactly which cause and to what extent it/they produced the observed effect (Svensson, 2007, p 204)

#### **-income**

On my mission to point out which groups in society tend to make use of credit in financing a better life, *income* cannot possibly be ignored. How do more/less earnings affect people's behavior regarding propensity to purchase on credit? In

examining which group has the largest amount of debt I will be able the extent to which income explains the amount of debt. Income should be viewed as a necessary control variable on my mission to understanding what role consumer credit plays in the financing of the American Dream.

Question asked regarding income was: Please stop me when I reach the income category that best represents your annual household income before taxes. Following responds were available:

1. Less than \$10,000
2. \$10,000 to \$14,999
3. \$15,000 to \$24,999
4. \$25,000 to \$34,999
5. \$35,000 to \$49,999
6. \$50,000 to \$74,999
7. \$75,000 to \$99,999
8. \$100,000 or \$149,999
9. \$150,000 to \$199,999
10. \$200,000 or more
98. Don't Know (VOL)
99. Refused (VOL)

### **-Race**

Other disparities that can be cause possible variance and that can be applied in the field of education are hereditary. Such disparity brings other mechanisms more subtle than economics.

The question regarding race in the survey was: What is your race? Are you white, black or African American, Asian, Hispanic, Native American, or other?

1. White
2. African American/Black
3. Hispanic
4. Asian
5. Native American
6. Other
8. Don't Know (VOL)
9. Refused (VOL)

Since race is a categorical variable (variables that are divided into groups) I have made use of so called dummy variables in order give race (as a control variable) a more numerical character. This is a necessary step, since it otherwise would be difficult to interpret the b- coefficient for this particular variable when running the regression analysis.

One dummy will be created for individuals who responded Black. Black as an alternative is coded as 1 and the other ethnicities coded as 0. Another dummy variable is created for the other minorities (Hispanic, Asian, Native American and other). Other minorities as an alternative was coded as 1 and black and white

coded as 0. The excluded category is white, and will be held as a so called reference category.

### **-Gender**

Respondents were offered the following alternatives: Female or Male. Since gender also is a categorical variable, also called *dichotomous* variable, where you belong to one or the other, I have made a dummy where male is the excluded category. (Whalgren, 2008, 131).

### **-Age**

Question regarding age was: In what year were you born. The respondents were offered an open answer or could choose to answer following:

9998 Don't Know (VOL)  
9999 Refused (VOL)

## **3.6 Multiple regression linear analysis**

Multiple regression analysis is a powerful tool in order to find independent contributions of each independent variable and control variables in order to predict the dependent variable. Therefore I will compile my variables in such an analysis to be able to find and express any generalizing pattern. However, I am aware that nature is rarely (if ever) perfectly predictable, and usually there is substantial variation of the observed points around the fitted regression line.

The formula for a multiple linear regression can look like following:

$$Y = a + b_1 * X_1 + b_2 * X_2 + b_3 * X_3$$

Y = The prognostic value of Y

X = Is the value held by the independent value.

$\alpha$  = The appreciated value of Y where regression line crosses the y-axis. Also called intercept or constant.

$\beta$  = Regression coefficient (beta-coefficient) for X, the mean change in Y when X changes by one scale unit (Whalgren, 2008, p131)

As stated earlier the amount of credit debt is specified as the dependent variable (Y) and the independent variable (X) is constituted by the highest level of education completed. The control variables I have decided to make use of will also be treated as x's.

Seen to the facts stated above, the formula for this thesis will look as following:

$$\text{Amount of credit debt} = a + b_1 * \text{education} + b_2 * \text{income} + b_3 * \text{gender} + b_4 * \text{race.1} + b_5 * \text{race.2} + b_6 * \text{Age}$$

Through using a multiple regression analysis I will be able to clarify what variables that seem to the strongest association with the dependent variable. The accumulated grade of explanation of all variables is measured by Adjusted r-squared (adj.  $R^2$ ). Adjusted r-squared indicates the proportion of explained variance between 0 and 1, and can be read as a percentage - the higher the value, the better explanatory power. In my case, adjusted r-squared will produce the percentage, a number indicating how much the independent variable and my control variables explain the variance of the amount of credit debt per each individual (Djurfeldt et al. 2009, p111).

The Beta Coefficient ( $\beta$ ) also called the regressions coefficients, show to what degree the amount of credit changes when the independent variable changes by one scale unit.

A correlation analysis will be performed to investigate the independent variable's impact on other independent and control variables. A correlation or correlation coefficient measures the strength and direction of a linear relationship between two variables. To measure the degree of correlation a particular matrix will be created, in which the various explanatory variables correlations with the dependent variable and the other independent variables will be tested. The variables that explain most of the variance of the dependent variable, without being highly correlated with the other independent and control variables could be considered the variables best suited for inclusion in regression analysis. I have chosen to present two models. Model 1 is presented in the purpose of clarifying the correlation found between education and income in the correlation matrix and Model 2 where all the independent variables are included.

The correlation coefficient holds a value between -1 and 1, with 1 being a perfect correlation and 0 being no correlation. If the correlation is negative, the association is a negative and the variable explains no or little of the actual variation. In other words, the correlation coefficient is a measurement of the strength of the linear correlation.

To make sure that no inter-correlation among the independent variables is taking place another test can be performed. Looking at the explanatory variables (the X values) and the coefficient  $\beta$  the goal is generally to attain highest possible explanation force of the variance, r-squared, but at the same time avoid the issue of so called multicollinearity. This is another name for when variables in a multiple regression model are closely correlated to one another. Multicollinearity can cause strange results when attempting to study for example, how well individual independent variables contribute to an understanding of the dependent



variable. When multicollinearity exists within the regression it becomes harder to establish a statistical significance for a particular variable. This particular problem usually emerges when one or several of the independent variables measure the same things, and could cause problem when analyzing the result (Djurfeldt, et al. 2009, p113)

Therefore, one can make use of Variance Inflation Factor (VIF) which is a measurement for when controlling for correlation between independent variables, it will always measure 1 or more. The degree of multicollinearity is being taken into consideration and values from 4 and below will be regarded as legitimate (Djurfeldt, 2009, p.114)

### 3.7 Dummy Variables

An additional reason as to why regression is such a useful tool is the possibility to use binary variables (variables which can take only two possible values ex. Male and female) as dependent variables, so called dummy variables.

In the regression I will make use of dummy variables in order to clarify how much of the difference in credit debt that can be explained by gender and by ethnicity. Since I want to include these qualitative variables in the regression analysis and since the respondent had several categories to choose from I have to transform each category available to the respondent into dummies. Ethnicities represented in the survey are as stated before: white, black and other ethnicities including Hispanics, Native American and other. The later was made into one group (Dum.Min, which stands for Dummy for other minorities) seen to the fact that people admitting to those ethnicities were considerably few. Another dummy was made for the category Black (Dum. Black). White will be left out of the matrix and will constitute a reference category (Djurfeldt, 2009, p110)

A regression coefficient  $\beta$  for a dummy variable is interpreted as follows: it indicates “*how much higher the expected value of Y is for those coded 1 compared to those coded as 0 (the so called reference category)*” (Djurfeldt et al. 2009, p111)

# 4 Results

In this part I will present the results from the statistical method that I have made use of in this thesis. By way of introduction I will show a table of descriptive statistics in order to clarify the main features of my data.

Additionally, I will examine and focus on the relationship between my dependent variable (credit debt) ,independent variable (education) and visualize it by using a correlation matrix.

Furthermore, in the more sophisticated sections of this part I will make use of the regression analyses in order to examine if there is any possible correlation to be found. I consider this step to be necessary in order to clarify if the correlation found in the correlation matrix stays the same when controlling for other variables.

## 4.1 Descriptive Statistics

This passage will provide a simple summary about the sample and about the observations that have been made, for the reader to be able to understand further analyses. This table contains five data for each variable: how many observations have been made, mean, standard deviation, the minimum value and the maximum value.

*Table 1.Descriptive statistics*

---

	N	Mean	Std. Deviation	Minimum	Maximum
Credit debt	481	1.74	1.09	1	5
Education	750	2.24	1.426	1	5
Income	628	5.14	2.36	1	10
Gender	750	0.5171	0.50004	0	1
Dum. Black	736	0.1142	0.31827	0	1
Dum. Min	736	0.0848	0.27878	0	1
Age	729	48.2096	17.53857	18	94

---

Comment: Data is collected by Braun Research Incorporated.  
Dum. Black = dummy created for the race black.  
Dum. Min = dummy created for other minorities

N in this table represents how many individuals who actually responded to the survey and the questions asked. Seen to the result in this table, people tend to be more reserved when it comes to questions regarding money. Seen to credit in

particular it becomes difficult to say what effect the loss of respondents may have on the result. Nevertheless it is a loss worth noticing. Since, those who refused to respond and depending on the amount of credit debt they had, could have clarified the result or made the relationship between credit debt and education disappeared completely. If the non-respondents should be seen as not having any bearing on the outcome, then those who did not respond must have been evenly divided between those who had high credit debt and those who had low.

The mean represents the average value of the examined population. In regards of credit, debt is 1,74, which mean that the majority of respondents owe somewhere between 1. Less than \$1000 in debt or 2. \$1000 to less than \$5,000 on their credit cards. In regards of education the result shows 2,24, which means that the average respondent have gone to College or slight higher but have no degree. When it comes income it turns out that the average respondents annual income is \$35,000 to \$49,999. The average persons age that participated in the survey is 48 years. (Djurfeldt et al 2003, 59).

Since dummy variables are coded from 0-1 it is not necessary to read of the mean for the dummies.

The standard deviation describes the dispersion around the mean. The lower the value of the standard deviation, the more concentrated the observations are likely to be around the mean and the higher the more scattered. Most standard deviations concerning the variables are relatively low which indicates that it supports the information, given by the mean. The fact that the dispersion regarding age is 17 just establishes the fact that the age range from the youngest to the oldest person participating in the survey is moderate (Djurfeldt et al 2003, p65).

## 4.2 Correlation

This table shows the bivariate correlations between all variables included in the analysis, including the control variables. In other words this table will show the variables association with each other. Except for the information given about possible correlation between the dependent and the independent variable, one can also see how the dependent and independent variable relates to the control variables. This table is helpful since it provides information about inter-correlations..

*Table 2. Correlation Matrix*

	Credit debt	Education	Income	Gender	Dum.Black	Dum.Min	Age
Credit debt		-.067	.120*	.009	-.028	.073	-.087
Education	-.067		.473*	-.037	-.082*	-.069	-.033
Income	.120*	.473**		-.120**	-.213	-.079*	-.024
Gender	.009	-.037	-.120**		-.010	-.008	.048
Dum.Black	-.028	-.082*	-.213**	-.010		-.109**	-.116**
Dum. Min	.073	-.069	-.079*	-.008	-.109**		-.136**
Age	-.087	-.033	-.024	.048	-.116**	.136**	

Comment: \*p < 0.05, \*\*p < 0.001

There is a relationship between credit debt and education -.067, but it is not significant.

Another correlation found is between credit debt and income. It is both significant and correlates to a moderate extent (seen to the other results in this diagram), namely 0,120\*.

Worth noticing as mentioned before is that education and income tend to correlate. On the other hand, the correlation does not exceed the 0,8 line (which if it did, would indicate that the coefficients for these two variables in the future model couldn't be trusted).

This correlation analysis lacks ability to show marginal effects. In the regression analysis I will be able to separate the effects as well as clarify marginal effects.

To make sure that the correlation between the independent variables does not affect the results will perform a VIF test and the result will be presented as part of the regression result part.

## 4.3 Regression Result

Tabell 3. Regression analysis result.

	Model1	Model 2
Education	-.099* (.040)	-.097* (.040)
Income	.091* (.028)	.089* (.029)
Gender		.098 (.111)
Dum.Black		-.044 (.208)
Dum.Min		.131 (.232)
Age		-.002 (.003)
Intercept	1.516* (.160)	1.586* (.266)
<hr/>		
N		
R2 (adjusted)	0.024	.018

Comment:  $p^* < 0,05$ , Note: *Dependent variable: Credit Debt in total per indiv.*  
*Unstandardized Coefficient, standard error within parenthesis*

The two hypotheses presented in section were:

Hypothesis 1 - The more educated you are, the more likely you are to take on irresponsible levels of credit debt (Marc Herman, October 10, 2012).

Hypothesis 2 - A high degree of accomplished education leads to a decrease in the way people tend to make use of credit.

The results attained in this analysis supports hypothesis 2. When all the variables have been introduced we can see that there is a correlation between the independent variable and the dependent variable. The relationship found is -0,097, (see table 3) a negative result which means that a higher level of education leads to a lower level of credit debt.

The fact that the  $\beta$  coefficient for education is significant implies that there is evidence for the fact that the independent variable (education) and the dependent variable (credit debt) is associated with one another (Whalgren, 2008, 133). In short, it can be said based on the analytical result that education does seem to lead to a decrease in credit debt.

After performing the alternative coding of my dependent variable in the binary logistic analysis, one can witness result similar to the one found in the linear regression. The b- coefficient for education is negative and significant and income is positive and significant. Therefore, the original coding of the variable credit debt does not seem to effect the result.

In the process of running the analysis education went from being non- significant to be significant first when income was added to the analysis. The explanation is that there are several of variables explaining the level of debt of an individual. When income is added, the connection between credit debt and education is made clearer because income explains some of the variance regarding what contributes to people taking on debt.

In short, education and its effect on credit debt cannot reach its full potential until one has controlled for other variables, such as income.

The result in model 2 shows several weak and insignificant correlations, which therefore do not require additional attention. Since education and income were the only two variables which came out significant I will now focus on these two.

When both variables are included the effect of education seems to have increased, while income has experienced a decrease. An overview shows us that the standard error has not experienced much change. That added to the fact that both of the variables are significant indicates that the coefficients are trustworthy.

Furthermore, the VIF for Education was 1, 21, and for income it was 1,29. This means that the correlation between these two is low to an extent that it does not threaten the reliability of this Model and multicollinearity is not a problem in this study.

The interpretation of the intercept becomes less important since when mixing categorical variables with numeric variables the numbers held by the intercept tend to be misleading.

In order to find out if there was a causal relationship between these two I had to make use of other variables. It was a necessary to make use of a method that would allow several variables to be investigated at the same time, in order to get a more realistic view and to be able to make valid generalizations of the population.

A linear multiple regression made it possible not only to investigate if there was a correlation between my independent and dependent variables. Through the possibility of adding control variables I was able to find out if the relation was casual or if there was any other significant correlation between other variables.

On the other hand a model of this kind is usually associated with a number of limitations. Irrespective of the results presented and proof of correlation between variables, the problem still remains of omitted variables. This is likely to be a explanation to why the relation between education and amount of credit debt is considerably moderate. In other words, there are surely other factors and variables that influence the level of debt that were not included in this analysis. For example, this seems to have been the case regarding income for this particular survey. In order to understand the extent education affected the level of debt for this specific population one had to control for income.

Further limitations for this particular model are its inability to capture the non-linear relationship and to show the direction of the causality, that is, what causes what. Another possible problem could be results temporary validity. Peoples' access to education and conditions in terms of who is credit "worthy" are not constant but changes along with time. Therefore, a model like in this thesis will be limited in its ability to reflect such changes unless variables and factors are changed, replaced or somehow modified.

Additionally, the empirical result of the survey depends to a high degree on the respondents and the people conducting the survey. For example, time constraints could lead to careless mistakes and method of selection could influence the results' generalizability. Structural mistakes at this level could result in an invalid sample of the population. This in turn could lead to a result that does not reflect the actual conditions within the examined population.

Through clarifying the correlation between the variables and running a VIF test (checking for multicollinearity) I can with a high degree of certainty say that the correlation found might be weak but the relationship between education and credit debt runs no or very little risk of being spurious. This was a necessary step to make sure this study was valid. A spurious relationship or multicollinearity could have endangered the interpretation of the result because of a decrease of the reliability of the equation of the regression. Since no Variance Inflation Factor exceeding 4 was found and therefore the result can be seen as legitimate.

Even if several significant connections were found, is it important to point out that it would be necessary to combine an observational study like this with other statistical or experimental methods in order to understand the relationship between education and credit debt in its whole. Taking into consideration that the measured correlations in this study were moderate makes it difficult to comment on the causality of the dependent variable. This might also indicate that there are other might be other underlying variables that have an impact on what appears to be a complex relationship between credit debt and the factors considered.

## 5 Discussion

I have in this thesis examined if the propensity to purchase on credit goes beyond educational level or not. Seen to the result of the regression, empirical evidence was found regarding education being a factor that leads to a decrease in peoples' propensity to purchase on consumer credit. If this is true, then education seem to contribute to a more rational behavior regarding the way people tend to make use credit in the pursuit of the better life.

The outcome of the performed analysis therefore supports the one hypothesis that claimed "higher level of education leads to a lower level of debt". The hypothesis was based on the argument made by Hume that commerce leads to an increase in thrift by occupying people in business segments where focus lies on profit. Hume exemplifies by using professions like lawyers and doctors, as people whom usually live and spend within the confines of their income. According to Hume the desire of profit motivates people to attain education, after which they tend to get involved in money making activities, a lifestyle where one is less likely to spend exceeding ones' level of income. Drawn from this it could be said that it is less like for people with higher education to make use of consumer credit in order to cover the expenses (2012, p197).

To some extent the attained result contradicts Seymour Lipset's theory of Modernization. The theory holds one of the outcomes of economic growth to be democracy but also a higher degree of education among the citizens. Economic growth produces a strong middle class that will as Lipset puts it, sustain "the good state". Since Leonard, Calder, Shaanan and several other scholars claim, that the American public and their propensity to consume is an important part of Americas economic design, one can assume that consumption to a large extent has to do with this sustainment. When Calder(1999) claims (view section 2.1) that credit is one out of three social inventions that the structure of the consumer society rests upon a statement that is further enforced by Gorge Ritzer that says that it is the "linchpin" holding the consumer society together, consumers credit should be viewed as a vital part of the "sustainment" that Lipset talks about.

If the act of sustaining is being performed through consumption and through the use of consumer credit the result in this thesis shows that, the higher level of education attained by an individual the less likely you are to sustain "the good state" and contribute the market cycle buy consuming, using credit. This result that shows a decrease in the propensity to purchase on credit does not necessarily mean that educated people consume less. It shows only that they don't "sustain" as to be clients to the credit market to the same extent, as non- educated individuals tend to be.



## 6 Conclusion

Any major conclusions based on the result should be viewed as unnecessary. On the other hand the fact that the method used was valid and constituted support for hypothesis 2, should view as good grounding for how further improvement could be made in order to be able to make generalization applicable for other populations.

Some modifications in particular relevant to the examination if people are using consumer credit in order to attain the American Dream could be to clarify the relation between the use of consumer credit, the spending in total and what people tend to buy with the help of credit (information that was not included in the set of data used in this thesis). Such information would contribute as to elucidate if the spending with the help of consumer credit should be viewed as an indicator of financial hardship, where families tend to make use of credit cards in order to pay for basic necessities such as food, medicine, and clothing and shelter (Drentea et. al. 2008, p. 580). Or if the use of consumer credit should be seen as a tool with which one modify an already comfortable lifestyle.

I am aware of the fact that consumption is bigger than consumer credit, even if the authors mentioned in this paper are clear on the point that it plays an important role. In this examination I chose to look at the debt related to credit cards. I defined credit as: a short- and intermediate-term credit extended to individuals through regular business channels, usually to finance consumer goods such as furniture, cars and services like healthcare and vacations (section 1.3). In order to find a correlation between education and credit debt one could use a broader definition of credit debt. To use a broader definition would obviously require a comprehensive study and a more complete set of data. A broader definition would make it possible to include important forms of debt such as: mortgages, car loans and student loans. Through doing that, one is more likely get the broader picture and to attain results that reflect the complex reality to an even greater extent than what is done in this very thesis here.

This study, in its entirety and the result obtained, suggests that the American Dream and the ideal that it constitutes, can be seen as a driving force that encourages people to use credit. Furthermore, educated people seem to spend less using it, in the pursuit of the Dream. The fact that I brought in education as my independent variable was interesting since Lipsets theory of Modernization seem to hold education as something that rises alongside with economic growth. Economic growth, that according Calder and George Ritzer (among others) claims to be largely based on channels of credit. The connection between education and credit, is not only interesting because the fact that they are both vital for economic development. But also, because they are two important components in order for the common man to achieve a richer and fuller life, that the American Dream often represents.

Finally, possessions like cars and furnished houses seem to have become symbols for the American dream. Buying a house on credit and signing up for a mortgage has often been seen as an investment and an opportunity for the common man to own. But as it turns out, it is also an investment that requires individuals to be disciplined in order to repay these debts. When Clinton loosened housing rules by rewriting the Community Reinvestment Act, one could wonder, was it an attempt to make the American dream available for the common man and “Life better and richer and fuller for everyone...”? Or was it an act to promote a way of living, in a society where spending money you don’t have is the linchpin that holds consumer society together.

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