Regulating the Risk of Debt: Exemption Laws and Economic Insecurity Across US States

Thesis

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Abstract

The share of Americans who experienced a substantial drop in available income from one year to the next increased significantly over recent decades, from 14.3% in 1986 to 17.8% in 2012, with particularly high proportions during recessionary periods. Families who experience a shock to their income increasingly must rely on private resources, such as the credit market, to make up for an anemic public safety net. Unlike a state-sponsored social safety net, credit comes with an increased risk to the consumer. If debtors fall behind on payments, creditors can seize their assets or garnish their wages, leaving families unable to support themselves. US states do, however, balance risk between creditors and debtors through exemption laws, which protect homesteads, personal property, and wages from debt collectors, even after default. Drawing on prior research, I expect that protections might be especially significant during economic recessions, when a higher proportion of households experience income losses and default. Using a unique dataset of state laws, this project examines exemption laws in US states from 1986-2012. First, I analyze differences in exemption laws, and find that these laws vary drastically between states and regions, resulting in vastly different protection environments. This suggests that the risks associated with defaulting on a loan depend on a debtor’s state of residence. I also find that once adjusted for inflation, average exemption protections increased somewhat over time. Second, using a time-series cross-sectional design with
fixed effects, I examine the relationship between the protectiveness of exemption laws and state-level economic insecurity. I find that more protective exemption laws lead to lower state-level economic insecurity during recessionary periods. These findings support expectations that protective exemption laws can balance risk between creditors and debtors, especially during hard economic times.
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Introduction

Americans find it increasingly necessary to take on debt in order to invest in education or smooth out consumption during financial shocks (Houle 2014a). Without a strong public safety net or public investment in human capital, it is difficult for households to get by or get ahead without accruing some type of debt (Dwyer, McCloud, and Hodson 2012; Prasad 2012). This has led to the growth of industries in the banking sector dedicated to lending money, as well as other industries dedicated to collecting debts (Carter and Hobbs 2013; Corporation for Enterprise Development n.d.; Kiel 2016; Kiel and Waldman 2015; Krippner 2011). Though often necessary, taking on debt is a risk for consumers as they might default on a loan if they fall behind in payments (Hacker 2008; Prasad 2012).

If a debtor falls behind on loan payments, a creditor can sue them in civil court to receive a money judgement that the debtor then must pay back to the creditor. If a debtor fails to pay the judgement or work out a payment plan, the creditor can garnish the debtor’s wages or bank accounts, or employ debt collectors to seize a debtor’s assets. Scholars studying economic insecurity discuss the importance of understanding trigger events, such as job loss or major illness, that can set trigger a period of income loss and hardship (Hacker 2008; Western et al. 2012, 2016). Defaulting on a loan is a little studied trigger event, but potentially an important one. Having essential assets seized to pay back
debts could increase the economic insecurity among debtors: for example, losing the family car to a debt collector could lead to losing a job if a worker cannot make it into work without a car (Carter and Hobbs 2013; Shapiro and Wolff 2001). Losing income through wage garnishment directly increases insecurity by decreasing a debtor’s available income every paycheck.

The proportion of American households experiencing economic insecurity, or losing 25% of their available income from one year to the next without enough savings to make up for the loss, has increased in the US, from 14.3% in 1986 to 17.8% in 2012 (Hacker et al. 2014). The level of precarity varies even more between US states: for instance, in 1986, 11.4% of Minnesotans were economically insecure compared to 20.3% of those in New Mexico. This economic insecurity is largely the result of a “great risk shift:” families who experience a shock to their income largely do not have a public safety net to fall back on (Hacker 2008; Hacker et al. 2014; Western et al. 2012). Instead, consumers increasingly must rely on private resources such as savings accounts, extended family, and the private credit market (Hacker 2002; Prasad 2012; Trumbull 2012). Households are the most at risk for income loss during recessions, and insecurity tends to peak during hard economic times, as evidenced by the more than 20% of households experiencing insecurity in 2008, 2009, and 2010.

Governments can protect debtors from some of the consequences of default, and balance the risk of debt between the debtor and the creditor through consumer regulations. While the federal government protects some debtors through bankruptcy laws, and limits wage garnishments for consumer debts to 25% of income or thirty times
the federal minimum wage, protections for other types of assets are left completely up to individual states. Exemption laws are policies that protect debtors in default (but not bankruptcy), by limiting the value of the assets that creditors can seize to pay back outstanding debts. These laws can protect a larger portion of wages than the federal limit, as well as crucial assets including homes, cars, household goods, bank accounts, and tools used for work, by exempting them from seizure.

Though exemption laws are an important aspect of policy, they are little studied. A notable exception is a report by Carter and Hobbs (2013) that compares exemption laws across states in 2013, grading each state from A-F on how well exemption laws protected debtors. They found a large amount of variation between states during this year, though no state met their standard for an ‘A’ grade. This still leaves the question of how protections vary over time, and whether changes in protections within states are associated with changes in economic insecurity. The protectiveness of exemption laws might be especially important during times of economic downturn, when debtors are more likely to have other financial troubles that make it hard to keep up with loan payments.

This paper examines exemption laws in US states by asking three questions. First, how much does the protectiveness of these laws vary across states and over time? Second, does the protectiveness of exemption laws predict state level differences in economic insecurity? Third, does this relationship become stronger during recession years, when a higher proportion of the population is delinquent on their loan payments? To answer these questions, I constructed a unique dataset consisting of state exemption
laws from 1986 to 2012. I take a detailed look into the various types of exemption laws, examining both the types and values of assets that are protected, how these patterns vary across states and regions, and how they have changed over time. I use a time-series cross-sectional approach to answer the second and third questions, creating an index measuring the relative protectiveness of each state-year’s exemption laws, and using this index to predict economic insecurity in two fixed-effects models.

I seek to understand whether differences in state policies designed to regulate the risk of debt affect state level economic insecurity. Exemption laws are an ideal case for understanding the relationship between state policy and risk, as debt continues to be both a necessary and risky resource for consumers, yet this aspect of policy regulating default is at the state level. As debt remains an important part of the US economic structure, it is essential to understand what happens when individuals default on their debts, and whether policies designed to protect debtors from these negative consequences actually protect them.
Debt and Insecurity

Debt is an important source of risk for American households. Scholars are increasingly interested in the role of credit as a central aspect of the US welfare regime (Krippner 2017; Prasad 2012; Trumbull 2012). Increased access to credit has allowed individuals to continue consuming after a financial shock (Seefeldt 2015), as well as finance education and homes even as wages stagnated and growth declined (Dwyer et al. 2012). Without access to credit, many families would be unable to obtain post-secondary degrees or own homes. This proves useful for the US state, as households are able to keep consuming without necessitating the government to overtly redistribute wealth (Krippner 2017). However, credit puts much more risk on the consumer than more traditional welfare provisions.

Though families use credit to help absorb shock, those with the highest debt burden are the most at risk of facing subsequent financial strain (Dynan and Kohn 2007). Taking on debt is inherently risky since the debtor will eventually need to pay back the loan with interest using future income. It appears that high levels of debt, rather than just holding debt, are most associated with negative consequences (Dwyer et al. 2012). In addition to financial wellbeing, debt is also associated with mental health consequences for some of the population, including higher levels of anxiety and stress (Drentea 2000;
Hodson, Dwyer, and Neilson 2014), as well as worse self-esteem (Dwyer, McCloud, and Hodson 2011).

Thus, the ability to take on debt is both a resource for investment and consumption smoothing, while also serving as a liability for financial and emotional wellbeing (Hodson et al. 2014). Taking on debt, while often necessary in the US’s current financial system, can have lasting impacts on debtors. It is risky to take out loans for school without guarantees of high paying jobs; it is risky to run up a credit card bill to pay for daily necessities during periods of unemployment when it is not clear that someone will have the income to pay it back later.

Since the Great Recession, there has been increased sociological interest in understanding the role of debt during economic downturns. In 2007, 77% of families had some type of debt; the debt burden in US households also peaked that same year, with a debt to disposable income ratio of 133% (Porter 2012). Those high debt burdens set families up for increased hardship during the 2008 financial crisis’s wage stagnation and increase in unemployment rates and foreclosure rates (Porter 2012). Even the mental health benefits of having mortgages, once seen as a secure form of debt leading towards wealth accumulation, decreased after the housing crisis (Dwyer et al. 2016). Houle and colleagues have found similarly serious mental health effects of rising foreclosure rates, including worsened mental health (Houle 2014b), and increased suicide among white men (Houle and Light 2017) and the middle aged (Houle and Light 2014). Ionescu and Ionescu (2014) found that student loan debt increased the risk of credit card default during the Great Recession, but did not have any effects during “normal times.” Taken
together, these findings suggest that the risks associated with debt are different during (and perhaps after) economic recessions compared to other periods.

*Insecurity*: Debt holding can be both a consequence and cause of economic insecurity. Economic insecurity describes the risk of losing income and financial resources present in everyday life (Western et al. 2012). Insecurity has become especially relevant, as households face increased risk and decreased security in recent decades (Hacker 2008). In fact, the Great Recession worsened this trend, causing a great deal of income loss, especially amongst middle class working families (Nau and Soener 2017). Abrupt changes in income caused by adverse events such as illness, divorce, or job loss can mean sharp decreases in available income for families, causing hardship for households without an adequate safety net (DiPrete 2002; Harknett 2006; Western et al. 2012). Those with large savings accounts or wealthy family members might be able to get through a shock without too much hardship, but those without these private resources must rely on an anemic public safety net or costly private services.

Economic insecurity is an important consideration even beyond household finances, as it can lead to several negative consequences for individuals and families. These consequences include worsened health and increased psychological distress (Catalano 1991), reduced ability to invest in children’s cognitive growth and general wellbeing (Yeung, Linver, and Brooks–Gunn 2002), increased parental stress (Hill et al. 2013), and declines in child’s later educational and income attainment (Hardy 2014; Sandstrom and Huerta 2016).
Western and colleagues (2012) suggest a four-part framework for studying economic insecurity. First, researchers should use households rather than individuals or workers as a unit of analysis, since households tend to pool their resources together. A job loss from one member of the household may not increase hardship if another member starts a new job around the same time. Second, they emphasize the importance of studying the same households longitudinally, rather than relying on cross-sectional analysis. Understanding how household income dynamics change over time is the crux of studying insecurity. Third, the authors stress the importance of studying the adverse events that can trigger a period of insecurity for a household, such as job loss, major illness, or marital dissolution. Finally, they encourage researchers to study the ways in which institutions, such as the state, the job market, or family structure, might condition how families experience insecurity. For instance, taking into account how welfare benefits might mitigate the negative effects of a job loss.

Using this framework, research shows that insecurity for families with children has increased dramatically from 1984-2010, especially for the most poor, despite mean family income growing during the same period (Western et al. 2016). Hacker and colleagues created a measure of insecurity that defines economic insecurity as the proportion of the population experiencing a 25% decline in available household income (income minus debt service and out of pocket medical expenses) without enough wealth to make up for the loss. This measure, the Economic Security Index (ESI), is available both nationally and for all states but Hawaii and Alaska for 1986-2012. The ESI shows rising rates of insecurity, that peak during recessions and fall during better economic
times. This measure is also available for individual US states, showing great variation in their magnitude of insecurity: in 2012, Delaware’s ESI was 20.7% while Minnesota’s was 13.7%.

Those facing insecurity from an adverse event such as job loss, marital disruption, or a health crisis might be more likely to take on debt in order to make up for income loss (Halpern-Meekin et al. 2015; Sullivan 2008; Sullivan, Warren, and Westbrook 2000). At the same time, those facing hardships such as health crises or job losses have increased difficulty paying back loans (McCloud and Dwyer 2011). Falling behind on loan payments may lead to default, which in turn can lead to heavy financial consequences for debtors, as creditors may garnish their wages or seize their major assets. Losing a portion of available income could be devastating for a household, as could losing a home or a car needed to drive to work. Additionally, defaulting on loans has a negative effect on credit score, which we know from Fourcade and Healy (2013) has important implications for a consumer’s financial outcomes. Thus, a default can trigger a period of economic insecurity.
The Role of the State: Balancing Risk Between Debtors and Creditors

Using credit and taking on debt is not only a risk for consumers, but also for lending institutions. Creditors risk losing money if too many of their customers default on loans; yet, creditors rely on having customers who hold balances in order to make money off of interest payments and late fees (Bar-Gill and Warren 2008). Lenders are able to calculate how risky their loans are through credit scores and other types of actuarial techniques, and can adjust interest rates accordingly (Carruthers 2013). Debtors, on the other hand, have few ways to protect themselves from default other than not taking out a loan in the first place. However, as noted earlier, many households rely on credit as a privatized social safety net. Consumers might be also be optimistic about their future income and ability to pay back a loan (Bar-Gill and Warren 2008), or unexpectedly fall on hard times and find themselves unable to make loan payments. Krippner (2017) describes the credit market as a site for contestation over economic resources and the credit relationship as an inherently unequal one while the debt is unpaid. The inequity in risk between the creditor and debtor is an example of this relational power inequality.

Though consumers have few ways to protect themselves, governments can protect debtors from the consequences of default through consumer regulations. Regulating risk is a primary function of the state (Hacker 2008; Rehm 2016). This happens directly through social safety net programs, such as unemployment insurance and welfare
benefits, but also more indirectly through economic policies such as consumer regulations. In the case of exemption laws, the state essentially balances the risk between the creditor and debtor through regulations that make debt less risky for consumers. Limiting a creditor’s ability to collect on a debt directly increases the risk for lending institutions, while decreasing the risk for borrowers.

Scholars have long been interested in how differences in policies translate into divergent outcomes for individuals and households. Evidence from nation-level comparative work demonstrates that variations in policy lead to differences in household income dynamics (DiPrete and McManus 2000), relative poverty (Moller et al. 2003), and income instability (McManus and DiPrete 2000). DiPrete and McManus compare Germany and the United States, and find that the protectiveness of welfare state policies shapes the financial consequences of negative life events that might otherwise lead to a loss of income for a household (2000). Differing state contexts lead to divergent outcomes following a negative event.

The federalist structure of the US government gives rise to significant differences in laws between US states, leading some scholars to study state differences using a comparative lens (Bruch, Myers, and Gornick 2016; Jenkins, Leicht, and Wendt 2006). Social and economic policies have increasingly devolved from the federal to the state level, leading to meaningful differences in institutions, policy, and history (Schneiberg 2007). Safety net policies are particularly divergent across states (Bruch et al. 2016). Recent work has even highlighted how states fall into disparate mini political-economies, based on differences in social and fiscal policy (Bjorklund 2017.). Brady, Baker, and
Finnigan show that states differences in union density lead to lower levels of working poverty (2013). Other state-level scholars have theorized that differences in US state policies are structural conditions that affect individuals’ risk, creating state level differences in structural vulnerability (Moller 2008). Not only do policies influence the risk of a negative event occurring, but also the consequences if it does.

Western and colleagues (2012) emphasize understanding how institutions regulate risk as an orienting principle of the study of economic insecurity. “The state” as well as individual US states are important institutions to consider, as they implement policies and laws that regulate the amount of risk that households have, as well as the consequences of being at risk. Social safety net policies that provide services to those who lose jobs are an obvious case of risk regulation; economic policies are another example. As stated above, debt is a risk faced by many households in the United States. Exemption laws are a consumer regulation that protect debtors from the risk of losing assets and wages if they default on a loan. While the macro context of debt occurs at the national level, US states differ in how they regulate the risk to consumers who take on debt. As the risks associated with taking on debt vary across US states, this an ideal case for studying the relationship between state differences in risk protections and disparate outcomes.

Exemption laws have been largely absent from sociological understanding of debt protections, with the exception of Underwood’s (1916) article in the American Journal of Sociology, which examines the centuries long history of exemption laws in US states. Underwood describes how states protect personal property, wages, and homesteads from creditors, stating “these protective laws may serve in some degree to maintain the
equilibrium between the propertyless and the overpropertied classes” and “debt exemption is a degree of protection of individuals from other individuals.” In other words, exemption laws are a way that states balance risk between creditor and debtor.

He notes that protections have tended to get stronger over time, from bankruptcy laws that favored creditors, to laws that protect specific items, to laws that mirror ones we see today that protect up to a certain value of different properties. For instance, Alabama in 1820 exempted “one bed and furniture, one cow and calf, necessary wearing apparel, three spinning-wheels, one loom, six plates, six knives and forks, six spoons, one axe and one hoe, one- fourth part of the provisions in possession in every family” (Underwood 1916:59). By 1852, Alabama’s exemptions changed such that “the value of household and kitchen furniture to be selected by the head of the family is set at $150 and the value of tools at $200.” Often, states would protect seemingly oddly specific items, such as printing presses in Wisconsin, or all horses under three years old raised by a debtor in Mississippi, in order to support particular industries.

States have protected homesteads to differing extents since at least 1682, as in a Pennsylvania act “all lands and goods are liable for debt, except where there is legal issue, and then all the goods and one-third of the land only shall be liable (Underwood 1916:63).” Underwood found that the West and the South had more protective policies for homesteads than the rest of the country, positing that the higher protections come from historically distinct instances: western states wanted to encourage settlement, while southern states wanted to help white southern landowners recover from the abolishment
of slavery. The marked increase of homestead protections in southern states following the Civil War provides some support for the latter theory.

Policies designed to shield households from economic risk might be more important and impactful during economic downturns than during normal economic times. More households experience income insecurity or volatility in their earnings during economic downturns such as the Great Recession (Koo 2016; Nau and Soener 2017). Rothwell and McEwen find that children in non-married families are at heightened risk of poverty during recessions, but that safety net policies in the form of income transfers can largely mitigate this risk (Rothwell and McEwen n.d.). Similarly, Pilkauskas and colleagues found that increased unemployment during the 2008 recession lead to increased material hardship among low-income families (Pilkauskas, Currie, and Garfinkel 2012).
Research Questions

Exemption laws are little understood in the sociological literature, yet they might have profound implications for debtors. It is important to understand how they have changed during the last several decades, as a general shift towards neoliberalism and fewer regulations has swept the United States. These exemption laws are at the state level, meaning there might be great variation in the values of assets protected from seizure by debt collectors. The last major sociological work examining exemption laws found regional patterns in the types of assets protected as well as their values (Underwood 1916). The first step is understanding to what extent exemption laws vary across time, across state, and across region. Thus:

1. *How much do exemption laws vary between US states? Do some states protect much more than others? Are there discernable regional patterns? Have any of these patterns shifted since 1986?*

Understanding the extent to which exemption laws vary is the first step; the second is understanding whether there are consequences to any differences that do exist. Western and colleagues (2012) call for a focus on understanding how institutions can change the ways that trigger events affect household economic insecurity. State policy is an important institutional condition that, as Moller (2008) notes shapes the structural vulnerability of households to the negative consequences of trigger events. A trigger
event not often considered in this literature is defaulting on a loan, despite the central role of credit in the US economy. Big differences in exemption laws might result in different policy regimes for debtors based on their state of residence; thus, where a debtor lives might determine how much risk comes with taking on unsecured debt. If these policies are successful at protecting debtors, more protective exemption laws will lead to less economic insecurity.\(^1\) While defaults on loans happen at an individual or family level, these events may translate into state level differences in economic insecurity since so many families have some sort of unsecured debt. Thus, I ask:

2. *Do more protective exemption laws lead to less state-level economic insecurity?*

The effects of exemption laws might vary based on how well the economy is doing overall. There is reason to suspect that protections might be more important during periods of nationwide economic downturn. During hard economic times, more of the people who are at risk by holding debt may face the negative fallout of that risk. Delinquency rates on loan payments are generally higher during economic recessions than during better economic times (Board of Governors of the Federal Reserve System (US) 2017). When a higher proportion of households are defaulting on loans, more people will need to use exemption laws to protect their assets. More people will experience trigger events during economic downturns, and is thus an especially useful time for looking at population level outcomes.

\(^1\) It is possible that insecurity affects the protectiveness of exemption laws in addition to exemption laws affecting insecurity. For instance, perhaps policymakers respond to increased insecurity by providing more protections for their constituents. This possibility is something to explore in future research.
3. Does the protectiveness of exemption laws have greater effect during years of economic downturn than in other years?
Data and Methods

*Data and Measurement:* Data for this project come from a variety of sources. I compiled data on exemption laws from LexisNexis, and supplemented from other sources as necessary. I also include several state level economic and political measures from a number of sources, outlined below. I utilize the economic security index (ESI) developed by Hacker and colleagues (2014) to measure economic insecurity, as it provides state level estimates of insecurity for the continuous US states over time. The ESI includes the years 1986-2012, so I restrict my analysis to that period. This measure excludes the year 1995, and the states Alaska and Hawaii, due to limitations in the data the analysts used to create the ESI (see Hacker et al 2014 for a detailed discussion). Thus, my analytic sample consists of forty-eight states over twenty-six years resulting in a sample size of 1,248 state-years.

The Economic Security Index consists of data primarily from the March Current Population Survey (CPS), as well as the Survey of Income and Program Participation (SIPP), the Consumer Expenditure Survey (CEX), and the Panel Study of Income Dynamics (PSID). The ESI measures the proportion of households that experienced a 25% decline in their available household income (defined as income minus out-of-pocket medical spending and debt service) from one year to the next, and who lack the wealth (i.e. savings) to replace this lost income (Hacker et al. 2014). Those retiring, and thus
experiencing a *planned* drop in income, are not included amongst the insecure population. The ESI follows Western and colleagues’ (2012) call for a measure that uses households as a unit of analysis to account for micro-level risk pooling, and examines families longitudinally rather than cross-sectionally to see change in income dynamics over time. The ESI is the best available measure of state-level economic insecurity, representing the proportion of families within a state who faced a substantial decline in available household income without the ability to buffer the loss with existing financial resources. The measure ranges from a minimum of 10.4% in Minnesota in 1997, to a maximum of 24% in Florida in 2007.

I collected data on US state exemptions laws (excluding Alaska and Hawaii since they are not included in the ESI) from 1986-2012. I primarily used the LexisNexis database to find state exemption laws, but when historical data were unavailable, I supplemented with session laws from HeinOnline, as well as individual state legislature’s websites, administrative codes, constitutions, and court documents, as necessary. I include the exemption amounts for specific assets, including homesteads, cars, household goods, and tools necessary for work, as well as wildcard exemptions that can apply to any item of a debtor’s choosing. I also include limitations on wage garnishment and whether deposited wages are protected from seizure. These exemption amounts sometimes increase for debtors who are heads of households, have young children, have disabilities, or are elderly. I describe some of this in the first section of the findings, but for the quantitative analysis, I only include the protections available for single debtors with no dependents. This is an area for future study.
Exemption laws are complex and molding them into a manageable and meaningful measure of protectiveness is a complex task. I could have simply used dollar amounts protected, either summed up to show overall protection, or with each type of exemption separated to show how much each type of exemption mattered holding the others constant. However, these measures fall short for a few reasons. For one, they fail to differentiate the top dollar amount exempted with exemptions that protect an unlimited amount of an asset. Protections for a home of any value, for instance, might be qualitatively different from an exemption that protects up to a certain dollar amount. Summing up exemptions fails to capture the number of items a state protects, which is important to understand when considering how protectiveness a state is overall. On the other hand, separating exemption protections in a regression analysis fails to provide a measure of how much protection a state grants a debtor, and I suspect that overall protection matters more than how incremental increases of one type of protection matters when holding the others constant.

I wanted a measure that captured both the important variation, and represented how protective each type of asset exemption was in each year. Thus, I decided to create scales that indicate whether each type of protection was high, medium, or low, relative to other states in a particular year. I coded homes, cars, household goods, and work tools by quartiles: low protection if their exemption was at the 25th percentile of protections or below, high if their exemption was at the 75th percentile or higher, and medium if it fell in between the 26th and 74th percentiles. For wages, I coded the protection as low if it
did not protect more than the federal limit on wage garnishment, high if it protected 90-100% of a debtor’s wages, and medium if it protected some amount in between.

From there, I created an index indicating how protective a state was overall for single debtors, compared to other states in each year. First, I assigned points to the scales above: 1 for low, 2 for medium, and 3 for high. Then, I created the index of overall protectiveness by adding up the points for each state-year’s homes, cars, household goods, work tools, and wage garnishment points. I also adjusted these index scores by adding points for states with “wildcard” exemptions that, if applied to one or more of the coded property exemptions, would increase its score. This allows me to include states that have protections primarily in the form of wildcards, rather than specific exemptions for types of assets. I also include a dummy if the state-year explicitly protects a debtor’s deposited wages. The protection index varies from five to fifteen points and is normally distributed.

The index provides a measure of the overall protectiveness of a state’s exemption laws, relative to other states in each year. A relative measure is useful in this case because it demonstrates how differences between state environments might affect levels of economic insecurity in the same year. Debtors may move to different states but they cannot move to another year. My research question specifically asks whether states with more protective exemption laws have lower insecurity; thus, a measure that compares states is ideal. An alternative would be to come up with a more concrete measure, such as how much a state’s protection for an asset compares to the average value of that asset in that state. This is a much more complex endeavor, and an avenue for future research.
To measure economic downturn, I include a dummy variable indicating whether a year experienced a recession or not, as identified by The National Bureau of Economic Research. The NBER defines a recession as “a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales” (National Bureau of Economic Research 2017). The NBER indicates that recessions occurred in 1990-1991, 2001, and 2007-2009.

I also include several commonly used state level economic, political, and demographic controls in an attempt to capture the value added of the exemption protections. See Table 1 for a list of sources. The unemployment rate, median income (adjusted for inflation, in thousands of dollars), and poverty rate provide a snapshot of the economic conditions of the state-year. These measures are related to economic insecurity, especially the unemployment and poverty rates, which are correlated with higher insecurity, yet Hacker and colleagues report that these measures do not perfectly predict a state’s level of insecurity (Hacker et al. 2012). Including these controls better illustrates the effect of exemption law protectiveness on economic insecurity, even after accounting for the overall economic wellbeing of the state.

The rate of unionization, political party of the governor, percent of non-farm employees employed in the manufacturing sector and the financial sector are included as proxies for the business friendliness of the state. States that are more pro-business might have both higher insecurity and lower protections for consumers. I expect that higher rates of unionization and manufacturing employees will be related to lower insecurity,
while having high rates of financial sector employment and having a Republican governor will be associated with higher insecurity. Though percent Republican in the state legislature is a more commonly used measure of state politics, I decided to use political party of the governor because the state of Nebraska has a legally non-partisan legislature, and thus would need to be dropped if I used the legislative measure. Sensitivity analyses showed that this choice does not change the main findings. Additionally, I use percent employed in both manufacturing and financial industries here to measure industry power following Jacobs and Dirlam (2016). I also control for percent of population that is black, since scholars have found that percent black in a community often predicts the generosity of a welfare state (Brown 2013).

*Modeling Approach for Quantitative Analyses:* I use a cross-sectional time-series design to examine research questions two and three, meaning that the data consist of states over a series of time with state-years as the unit of analysis. I produce two models: a base model predicting economic insecurity with all of the independent and control variables mentioned above, and a second model that also includes an interaction between the protection index and the economic downturn dummy variable. Following other cross-sectional time-series designs using US states, I use fixed effects to estimate the effects of asset exemption laws, which hold constant all of the unobserved *time-invariant* characteristics within states (Brady, Baker, and Finnigan 2013; Condron et al. 2013; Jacobs and Dirlam 2016). The coefficients produced in fixed effects models should be thought of as the effects of change within states. This reduces omitted variable bias by

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2 An alternative would be to control for percent of the state GDP per capita comes from the manufacturing and financial industries. This is an avenue for a future analysis.
comparing states to themselves in other years. One of the biggest challenges in observational research is accounting for unobserved characteristics, and fixed-effects allow researchers to account for some of these characteristics. While some unobserved characteristics within states might change over time, many of the most difficult-to-measure variables, such as state culture, will stay the same.

Limitations: Though the state level analysis provides the benefit of understanding how exemption laws affect the overall security of citizens, it would be useful to isolate the effects on smaller subpopulations, such as those holding unsecured debt or those who are delinquent or in default on unsecured debts. It might be possible to do this, but the data source would need to be longitudinal, include information on wealth, and have a large enough sample to break down by state reliably. This is a difficult quest (see Hacker et al 2014 for a detailed discussion of this issue). A compromise might be to look at just a few of the larger states that have large enough samples to produce reliable estimates. This remains an avenue for future research. Similarly, it would be interesting to see if any findings are robust to different measures of economic insecurity, such as a simple measure of likelihood of losing income, or the “risk-reward” index proposed by Nau and Soener (2017). Hacker and colleagues (2014) themselves suggest that the ESI is likely a conservative estimate of insecurity, so comparing other measures would be useful. However, this brings up the same issue with state level data as mentioned above. Despite the limitations to the quantitative approach, this project provides a valuable contribution to the literature by adding to sociological understanding of the ways in which differences in exemptions laws affect state level economic insecurity.
State Variation in Asset Protections

This section provides a description of state level differences in exemption laws from 1986-2012. Exemptions fall into three categories: homesteads, personal property, and wages. Most states protect items within categories up to a certain value, others protect specific items worth any value, and other states offer wildcard protections, allowing debtors to protect property of their choice up to the wildcard limit. Many states exempt items with cultural meanings, such as wedding and engagement rings, bibles, family photos, and lots in burial grounds. Some states have extra protections in place for debtors, such as having exemption limits automatically adjust for inflation (six in 2012), protecting exempted wages once they have been deposited in bank accounts (eight in 2012) or allowing non-home owners to use a portion of their home exemption elsewhere (two in 2012 allowed home exemption to be used for rent; eleven in 2012 for other types of property).

Wages: Wages are the only exemption that exists federally as well as at the state level. The Consumer Credit Protection Act of 1968 mandates that wage garnishments for consumer debts are limited to 25% of a debtor’s disposable income, or 30 times the federal minimum wage.\footnote{This exemption does not apply to wage garnishments for tax bills, child or spousal support, or orders from a bankruptcy court. The Department of Education can administratively garnish up to 15% of available wages to pay back a defaulted federal student loan.} The latter part of the restriction is essentially a floor that a
debtor’s income cannot fall below due to wage garnishment. Depending on the year, 42-60% of states protect some amount more than the federal limit on wage garnishment for at least some of the population. Higher exemptions can come in the form of a higher floor, such as Illinois, which protects 45 times the federal minimum wage, Massachusetts, which protects 50 times the highest of federal or state minimum wage, or Wisconsin, which does not allow available income to go below the federal poverty line for the debtor’s household size. They can also protect a higher percentage of a debtor’s available income, which occurs in 22% of state-years included in the analysis. Some states protect a higher percentage of wages for certain vulnerable populations, such as debtors who are heads of households or have children under 18 (18% of state-years).

Figure 1 shows the percent of states that protect more than the federal minimum (either the wage floor or the percent of available income), for single debtors and for those with families. A consistently higher proportion of states protect more than the federal limit on garnishment for families than for single debtors, and the trends shows increasing protections among states over time. The slight dips occur due to quirks in policy: for instance, the Colorado floor was attached to a state minimum wage rather than a federal minimum wage, and in 2010 the state minimum wage, and thus the floor, was lower than the federal minimum. In 2008 and 2009, the dip was due to Oregon, which just provides a dollar amount as the floor. In 2002, the weekly amount exempted was $196, higher than the federal minimum until the federal minimum wage was increased in 2008. Oregon updated its statute to increase the floor in 2011, so it was once again higher than the federal minimum.
Figure 2 shows how the mean exemption floor for wages has changed over time, both unadjusted for inflation, and then adjusted for 2012 dollars. The lines compare these means to the federal mandated minimum floors for wages, both unadjusted and adjusted. This shows that the unadjusted amount has been increasing linearly, with jumps every time the minimum wage increases, as would be expected. Increasing distance between the federally mandated minimum and the mean minimum shows that states are protecting more than the minimum as time goes on. When adjusted for inflation, the pattern shows how the real value of the weekly income protected peaks when the minimum wage is increased, and falls due to inflation in between those peaks.

Though there has been some upwards trajectory, it should be noted that many states did not change protection amounts very much in the 26 year period. For instance, Pennsylvania, South Carolina, and Texas protected 100% of wages from garnishment throughout the entire period, New York protected 90%, Iowa protected 90-97% depending on income level, and New Jersey protected 90% for those within 250% of the poverty line. Only nine states were coded as having higher than federal protections some years but not all.

*Homesteads:* Many states protect some amount of a homestead for all debtors: Only Delaware, Maryland, New Jersey, and Pennsylvania have no homestead exemption at all during the 1986-2012 period, and Connecticut and Rhode Island did not have homestead exemptions until 1993 and 1999, respectively. Otherwise, every state had at least some homestead exemption, ranging from $2500 for single debtors in Arkansas to $550,000 for all debtors in Nevada from 2007-2012. Six states (Florida, Iowa, Kansas,
South Dakota, and Texas) protected the entire value of a debtor’s homestead, with only some restrictions on acreage, and Arkansas protected the entire homestead of debtors who were married or the head of a household.

Figure 3 shows the distribution of homestead exemption amounts for single debtors, all adjusted to 2012 dollars. The unlimited exemptions are coded as the highest exemption amount observed, by year. Figure 3 shows how the quartiles and mean have all generally increased over time. The small increases show where the unadjusted values increased, and a slight slope afterwards shows the decrease in the real value of the protection due to inflation. In general, though, exemptions for homes have increased over time across states. This pattern also holds for exemptions available for heads of household.

*Personal Property:* Most states protect some type of personal property. They can protect specific types of property, such as cars, household goods, bibles, clothing, books, wedding rings, family heirlooms, or tools necessary for a debtor’s profession. Some states have a wildcard exemption, either in addition to or rather than specific personal property exemptions. I focus on three types of personal property: cars, household goods, and tools needed for work, as they are the most necessary for a household’s livelihood, as well as wildcard exemptions. Both the amount protected and the number of states protected by each type of property generally increased throughout the period. Figure 4 shows the mean amount exempted held constant for inflation, across years for each major type of personal property, plus wildcards. In this figure, I code any state that exempted an unlimited value of a type of property as the highest exemption amount in that category.
and year in order to include all of the observations. Table 2 shows the number of states in each year that have no protections or protect an unlimited value in each category.

In 1986, 26 states provided some protection for a debtor’s car, but by 2012 that number increased to 34 states. No states protect a car of unlimited value, but the highest exemption observed over the period is $20,000 in Kansas beginning in 1988. Adjusted for inflation, this is equal to $38,816 in 2012 dollars. Though not included here, a few states protect cars only if they are used for work and some protect a higher value car if there are children in the household or if the car is modified for a family member with a disability. Figure 4 shows how the mean amount protected for cars has generally increased over time.

Like with cars, the number of states protecting some amount of household goods has increased: from 33 states in 1986 to 36 in 2012. Eight states have continuously protected all of a debtor’s necessary household goods (California, Connecticut, Kansas, Louisiana, Maine, New Mexico, New York, and Oklahoma), and Vermont protected all until 1988 when the state added a $2500 limit to the statute. Figure 4 shows how the mean adjusted amount of household goods protected has increased over time.

The last major category of personal property protected is tools necessary for work. Connecticut and Louisiana protect all the tools a debtor needs for work, regardless of value, throughout the period, while Maryland and Oklahoma protected them all until 1990 and 2005, respectively, when they added limits to the statute. On the other hand, between 15 and 12 states protected no tools for work depending on the year in question.
When accounting for inflation, the mean tool exemption was around $4500 in 1986 and fell to a low of about $3800 in 2003, then increased until 2012 when it was about $4600.

Around half of states have wildcard exemptions rather than or in addition to protecting particular categories of property, 21 in 1986 to 27 in 2012. Texas has the highest wildcard exemption, protecting $30,000 of property for single debtors, and $60,000 for heads of households. Unlike other exemptions, the mean value of wildcard exemptions has decreased over time. This occurs because the amount encoded into law has not increased at the same rate as inflation, decreasing the real value of the exemption.

*In Sum:* I added up the total value of all exemption personal property and home exemptions to get a total value of how much property is exempted from seizure. This is a useful way of comparing the overall protectiveness, since it more concretely shows the how much of a debtor’s property is protected overall. The distribution is shown in Figure 5 in thousands of dollars, adjusted for inflation. The 25th percentile has stayed relatively low over the period, demonstrating that the lowest exemptions have stayed relatively low. The median and the 75th percentiles have both increased (non-linearly) over time, showing a more general uptick in protections. The mean amount actually decreased between 1986 and 2003, and then increased after that, but not to its initial level.

*Regional Variation:* Underwood (1916) found regional variations in the types of values of exemptions offered, indicating that the South and the West tended to be more generous than the Midwest or Northeast. Figure 6 shows the distribution of adjusted total exemptions for property and homesteads over time and across states, broken down by the US Census’s regional definitions. Each dot represents one state-year, with a line showing
the mean total exemption in each year. In 1986, there was a large disparity between regions, with the Northeast protecting just $50,000 on average, while the Midwest protected nearly $400,000 on average, and the South and the West fell in between. The high in the Midwest and South are largely driven by a few very high outliers (Iowa, Kansas, Minnesota, and South Dakota in the Midwest; Florida, Texas, and Oklahoma in the South), whereas the Northeast and the West have fewer very high exemption totals. Over time, the Midwestern and southern protections decreased on average, while the western and northeastern protections increased on average, and by 2012, the low was the South at around $130,000 and the high was still the Midwest at about $210,000. This disparity is still high, but not nearly as high as before.

Examining the exemptions before they are adjusted for inflation sheds some light on these patterns. Figure 7 shows the same data as Figure 6, not adjusted for inflation, and illustrates that the Midwest and the South started out with relatively high mean exemptions (about $180,000 and $120,000, respectively), but they did not increase much over the period. The same few high outliers mentioned above continued to have very high exemption protections, even though when adjusted for inflation they decrease in real value. Conversely, the northeast and West started out with relatively low average exemptions, but they increased by more than $100,000 each. Massachusetts and Rhode Island in the Northeast, and Nevada in the West drive this trend somewhat with outlying exemption protections during the later years. However, more of the northeastern and western states increased their exemptions over the period compared to the Midwest and
South. Many of the very highest exemption limits occur in the South and the Midwest, leading to means skewed high.
Exemption Laws and Economic Insecurity

The previous section provided a descriptive analysis of exemption laws by state over time. This section attempts to answer research questions two and three, by measuring the relationship between economic insecurity and the protectiveness of exemption laws in general and during recessions. As described above, I operationalize economic insecurity by using the Economic Insecurity Index (ESI), which measures the proportion of the state’s population that experienced a 25% drop in available income without enough in savings to make up for the loss. Figure 8 shows the distribution of the ESI over time and across states. Each dot represents one state-year, with a line showing the mean ESI in each year. Note that 1995 is missing, as the ESI is not available in that year. The ESI has generally trended up, with peaks during times of economic hardship and valleys in between. The distribution of the dots shows how much the most and least secure states differ, even accounting for national level temporal trends. After the most recent economic recession, the ESI fell more than might otherwise be expected, down to prerecession levels by 2012.4

Table 3 reports the descriptive statistics for the dependent and independent variables used in the models. The mean ESI is 17.1, and ranges from 10.4% to 24% of a

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4 The researchers who designed the ESI find that this is due both to fewer households losing large percentages of their income as well as decreasing levels of household debt, which increases available income as well as net worth (Institution for Social and Policy Studies 2013).
state’s residents losing 25% of their available income from one year to the next. The exemption index has a mean of 10.4, and ranges from 5 to 15. The control variables demonstrate how much variation exists between and within states over this period. For instance, median household income (adjusted to 2012 dollars) ranges from $32,829 (Mississippi in 1991), to $78,360 (Connecticut in 1989), and the rate of unionization ranges from 2.3% (South Carolina in 2005) up to 30% (New York in 1986). I tested for collinearity in the independent variables, and each of the variance inflation factors (VIF) scores are less than 10, which indicates an acceptably low amount of collinearity (Kutner et al. 2004).

Table 4 shows the results of the two fixed effects models, indicating the effects of within-state change in exemption law protectiveness. I expected that years with higher protectiveness would have lower economic insecurity since higher exemptions should protect debtors from having more of their assets seized or wages garnished after going into default. Contrary to my expectations, Model 1 shows that the main predictor, the exemption index, is not statistically significant. However, as predicted, the economic downturn dummy variable is highly significant, indicating that being in a downturn year is associated with higher economic insecurity. It makes sense that a higher proportion of people overall are likely to lose a significant portion of their income during hard economic times.

Higher unemployment rates and median income are also significantly associated with higher economic insecurity. This is an unexpected result- researchers often use these variables as indicators of the economic health of a state, yet are associated with higher
insecurity. This demonstrates the importance of examining multiple economic measures when considering how well an economy is doing overall. Additionally, it highlights that there is more to insecurity than simple income and unemployment. Households might experience insecurity due to other life events, such as illness, divorce, or defaulting on a loan, rather than just losing a job. Moreover, safety nets might cushion the blow of unemployment, resulting in proportionally less insecurity than might otherwise be expected.

The unionization rate and the percent of the workforce employed in manufacturing are also significant, but in a negative direction. This is in line with research showing that unionization and manufacturing employment leads to better outcomes for workers (Brady et al. 2013). The controls for Republican governor, poverty rate, percent black in the population, and percent of the workforce employed in the financial sector are not significant, indicating that changes in these variables within states are not significantly predictive of insecurity.

Model 2 is the same as Model 1 but includes an interaction term between economic downturn and the exemption index. None of the control variables changed significantly from Model 1 to Model 2. The main effect for exemption index is still insignificant, meaning that within state change in the exemption index has no significant effect on insecurity during non-recession years. The main effect for economic downturn is still significant, with a higher magnitude, but makes less practical sense since the exemption index never equals zero. The interaction term is significant, meaning that the effect of the exemption index depends on whether it is during a recession year or not.

35
Each point increase in the exemption index is associated with a .09 point decrease in insecurity during recession years. This is consistent with my expectations, as higher default rates during economic recessions could lead to more households needing to use their wage or asset exemptions, leading to a statistically significant effect on insecurity.5

Figure 9 shows the predicted values of the exemption index on economic insecurity (with all of the controls at their means), by downturn. The bottom line shows graphically how little difference in insecurity is associated with increasing protectiveness of the exemption index during non-recession years. The top line, on the other hand, shows how much predicted insecurity decreases as the exemption index increases during recession years.

These results demonstrate that the protectiveness of asset exemption laws in states matters for state-level insecurity during hard economic times. During recession years, as the exemption index gets higher and more protective within states, economic insecurity decreases. This means that fewer households experienced a 25% drop in their available income that year. These findings follow my expectation for research question 3, since the importance of exemption law protectiveness depends on whether the year was a recession or not. However, the results were not as expected in research question 2, since the exemption index does not significantly predict insecurity during non-recession years. A potential explanation for a null effect on insecurity during the period is that during better economic times, not enough people are defaulting on loans for there to be a noticeable

5 In some versions of the models with different controls, the base model shows a significant and positive relationship between exemption protections and insecurity. Future research will further explore the mechanisms behind this unexpected finding. However, the negative effect of the interaction between exemption protections and recession year is robust across all configurations, providing strong evidence that more protective exemption laws in recession years is associated with lower insecurity.
difference in state-level insecurity. Further research isolating the population to debtors, or even just those in default would help determine if this is the case.
Discussion and Conclusion

My analyses show that the amount of protections a debtor in default is afforded varies considerably by state. A debtor’s state of residence plays a large role in their vulnerability to having assets seized and wages garnished if they default on their debt. Results also show a regional pattern, with the average total exemption being the highest in the Midwest and lowest in the South in recent years. This pattern has shifted over the past 26 years, with the inflation adjusted mean amount protected by region converging over time. Other temporal trends have shown a general upwards trajectory of exemption protections, especially those for the main types of personal property protection (cars, household goods, and tools for work) and for homesteads. The average value of wildcard protections has decreased over time, though the number of states offering them has increased. I also found that the number of states protecting more than the federal minimum wage garnishment protection has increased throughout the period. The average for the lowest amount wages can be garnished to has increased as well, albeit not linearly when adjusted for inflation. Most of the wage floor protections are tied to either the state or minimum wage, and most often increase when the minimum wages increase. This increase in protection is in contrast to other types of policies that have largely been deregulated over the past several decades (Perrow 2015). Understanding why exemptions are an exception to the general trend of deregulation is a line for future research.
The analytic findings showed that the relationship between exemption law protectiveness and economic insecurity is not as clear as I expected. The first model showed that changes in the protectiveness of exemption laws within states did not predict economic insecurity. An interaction between the exemption index and a dummy variable indicating economic downturn, however, was significant. This indicates that during hard economic times, higher exemption law protections are associated with lower rates of economic insecurity. Though modeling this relationship is beyond the scope of this analysis, I suspect that this is due to a higher proportion of debtors in the population defaulting on their loans, and needing to use the protections afforded to them through exemption laws. Future research could include measures for the rate of state level default to see if this might indeed be the case.

Future Research: In the quantitative analysis, I use a relative measure of the protectiveness of exemption laws. Though this works well for this analysis, future research could also measure exemption protections differently. It would be interesting to compare the dollar amount exempted for a particular asset with the average value of that same type of asset at time and in the state in question. For instance, if $1000 worth of a car is protected in 2007 in Ohio, what is the likelihood that amount would actually protect a household’s car? A researcher could do this in a few ways, such as looking at the average cost of a used compact sedan by year and by state, and calculating a ratio of exemption amount to that cost. This would be quite complex, however, as there are many assets included in this analysis. How would one calculate the average value of household
goods or work tools? Though this is beyond the scope of this project, it would be an interesting step forward.

In line with the results that show that exemption laws have an effect during economic recessions, another line of research could further examine this trend. Will this effect be limited to recessionary periods, or is the United States entering a period where high rates of insecurity are the new normal? Other researchers discuss and are finding examples of recession scarring (i.e. (Dwyer et al. 2016; Oreopoulos, von Wachter, and Heisz 2012; Young 2012), and it might be relevant in this context as well.

Another line of future research could predict asset exemption law protectiveness, rather than study their consequence. A natural extension would examine whether the power of creditors or the power of consumer groups predicts either strength or existence of exemption laws. Bartley (2007) emphasizes that institutions and regulations are the result of political contestation. Krippner (2017) stresses that the credit market is a key site for contestation over economic resources. Taken together, credit market regulation might be an interesting case for studying how differing power dynamics in US states produce varying amounts of consumer protections.

**Contributions:** This study has contributed to the knowledge about insecurity in three key ways. First, this paper has reintroduced sociologists to asset exemption laws, a hundred years after Underwood’s (1916) AJS article on the subject. These policies are a key part of policy concerning debtors, and I have shown the degree to which they vary between states, and how they’ve changed over the past 26 years. As debt continues to be an important aspect of the American political economy, it is vital to understand the
magnitude of the safety net for those who default on loans. Second, this adds to the literature analyzing state level differences. As policy decisions continue to devolve from federal to lower levels of governance, states will continue to be of key importance. I demonstrated that debtor policy is no exception, and that the protections afforded to a debtor experiencing default are in large part a function of the state and region in which the debtor lives.

Third, this builds on Western and colleagues’ (2012) four-part framework for studying insecurity, both for measuring insecurity as well as for conceptualizing the causes of insecurity. For measuring insecurity, I utilize a measure that is both taken at the household level (rather than looking at individual workers), and is constructed from longitudinal data looking at the same families multiple years. This answers the calls to 1) account for family level risk pooling and 2) to examine how income changes over time for households rather than compare households at a single point in time. Though the measure is at the state level, it was constructed using household level longitudinal data, thus answering the first two guiding principles.

Part three of the framework is understanding the role of certain events in triggering periods of economic insecurity. I have conceptualized defaulting on a loan as a trigger event that could elicit a period of economic insecurity much such as job loss or illness. Finally, the fourth call is to understand how institutions reallocate, redistribute, or condition the risk of insecurity following a trigger event. Policy, in this case state policy, can directly influence the likelihood of insecurity following a negative life event by blunting some of the worst effects. I find that this is not universally true of exemption law
protections, but that higher exemption protections are associated with less economic insecurity during economic recessions. In any case, this project directly answers this final call.

In sum, this paper provides an examination of how exemption laws vary across states from 1986-2012, as well as an analysis that aims to understand their effects on an important economic indicator, insecurity. As consumers continue to rely on debt, managing the risks of negative consequences such as default will continue to be an important policy imperative for US states. Though the protectiveness of exemption laws does not appear to affect insecurity during non-recession years, their robust effect when interacted with the recession year dummy indicates that they are an important component of household security when times are tough. As households increasingly face high levels of insecurity, this effect might become the new normal in the future. Even if results only provide clear evidence of the importance of exemption law protectiveness during economic recessions, that alone is enough of a reason to advocate for more protectiveness for debtors.
Appendix A: Tables and Figures

Figure 1. The percent of states that protect more than the federal wage garnishment limit 1986-2012, for all debtors and for those who are heads of households.
Figure 2. Mean and Federal Weekly Wage Exemption Floors, adjusted and not adjusted for inflation, 1986-2012.

Figure 3. Distribution of Homestead Exemptions for Single Debtors, 1986-2012.
Figure 4. Mean Personal Property Exemptions for Single Debtors, 1986-2012.

Figure 5. Distribution of Summed Exemptions, 1986-2012.
Figure 6. Total Exemptions by Region, 1986-2012. Shows the total summed property exemptions over time, adjusted for inflation, by US Census Region.

Figure 7. Total Exemptions by Region, 1986-2012. Shows the total summed property exemptions over time, not adjusted for inflation, by US Census Region.
Figure 8. Distribution of the Economic Insecurity Over Time, 1986-2012.

Figure 9. Adjusted Predictions by Downturn. Shows the predicted values of the economic insecurity by exemption index (with all of the controls at their means), by downturn.
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<td>Unemployment Rate</td>
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<td>Median Income, Percent in Poverty, Percent Black</td>
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<td>Party of Governors</td>
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<td>Percent Employed in Manufacturing and Finance</td>
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Table 1: Table of sources for variables in analyses.
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<td>0</td>
<td>12</td>
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<td>2006</td>
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<td>4</td>
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<td>15</td>
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</tr>
<tr>
<td>2009</td>
<td>4</td>
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<td>15</td>
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<td>12</td>
</tr>
<tr>
<td>2010</td>
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<td>6</td>
<td>14</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>2011</td>
<td>4</td>
<td>6</td>
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<td>0</td>
<td>12</td>
</tr>
<tr>
<td>2012</td>
<td>4</td>
<td>6</td>
<td>14</td>
<td>0</td>
<td>12</td>
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</table>

Table 2. Frequency table reporting the number of states that have no protections, or unlimited protections, by category of exemption and year.
<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Security Index</td>
<td>17.1%</td>
<td>2.3%</td>
<td>10.4%</td>
<td>24.0%</td>
</tr>
<tr>
<td>Exemption Index</td>
<td>10.4</td>
<td>2.3</td>
<td>5.0</td>
<td>15.0</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>5.7%</td>
<td>1.9%</td>
<td>2.3%</td>
<td>13.7%</td>
</tr>
<tr>
<td>Median Household Income</td>
<td>$52.3</td>
<td>$8.1</td>
<td>$32.8</td>
<td>$78.4</td>
</tr>
<tr>
<td>(in thousands of 2015 dollars)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Republican Governor</td>
<td>0.5</td>
<td>0.5</td>
<td>0.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Unionization</td>
<td>12.5%</td>
<td>5.7%</td>
<td>2.3%</td>
<td>30.0%</td>
</tr>
<tr>
<td>Poverty</td>
<td>12.8%</td>
<td>3.7%</td>
<td>2.9%</td>
<td>27.2%</td>
</tr>
<tr>
<td>Black</td>
<td>10.5%</td>
<td>9.5%</td>
<td>0.3%</td>
<td>37.3%</td>
</tr>
<tr>
<td>Employed in Manufacturing</td>
<td>13.1%</td>
<td>5.5%</td>
<td>3.1%</td>
<td>30.3%</td>
</tr>
<tr>
<td>Employed in Finance</td>
<td>5.7%</td>
<td>1.3%</td>
<td>3.7%</td>
<td>11.5%</td>
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<tr>
<td>State-Years</td>
<td>1248</td>
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</table>

Table 3. Descriptive Statistics. Shows mean, standard deviation, minimum, and maximum of explanatory variables included in analysis.
<table>
<thead>
<tr>
<th></th>
<th>(1) Base Model</th>
<th>(2) With Interaction Term</th>
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<tbody>
<tr>
<td>Exemption Index</td>
<td>-0.037</td>
<td>-0.017</td>
</tr>
<tr>
<td></td>
<td>(0.035)</td>
<td>(0.036)</td>
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<tr>
<td>Economic Downturn=1</td>
<td>1.154***</td>
<td>2.100***</td>
</tr>
<tr>
<td></td>
<td>(0.075)</td>
<td>(0.353)</td>
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<tr>
<td>Economic Downturn=1 # Exemption Index</td>
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<td>-0.090**</td>
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<tr>
<td></td>
<td>(0.033)</td>
<td></td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>0.183***</td>
<td>0.182***</td>
</tr>
<tr>
<td></td>
<td>(0.025)</td>
<td>(0.025)</td>
</tr>
<tr>
<td>Median Income (thousands of dollars, adjusted for inflation)</td>
<td>0.032*</td>
<td>0.034*</td>
</tr>
<tr>
<td></td>
<td>(0.013)</td>
<td>(0.013)</td>
</tr>
<tr>
<td>Republican Governor</td>
<td>0.040</td>
<td>0.041</td>
</tr>
<tr>
<td></td>
<td>(0.071)</td>
<td>(0.071)</td>
</tr>
<tr>
<td>% in Union</td>
<td>-0.191***</td>
<td>-0.192***</td>
</tr>
<tr>
<td></td>
<td>(0.024)</td>
<td>(0.024)</td>
</tr>
<tr>
<td>% Poverty</td>
<td>0.011</td>
<td>0.013</td>
</tr>
<tr>
<td></td>
<td>(0.024)</td>
<td>(0.024)</td>
</tr>
<tr>
<td>% Black</td>
<td>0.113</td>
<td>0.115</td>
</tr>
<tr>
<td></td>
<td>(0.059)</td>
<td>(0.059)</td>
</tr>
<tr>
<td>% Employed in Manufacturing</td>
<td>-0.251***</td>
<td>-0.249***</td>
</tr>
<tr>
<td></td>
<td>(0.016)</td>
<td>(0.016)</td>
</tr>
<tr>
<td>% Employed in Finance</td>
<td>-0.022</td>
<td>-0.028</td>
</tr>
<tr>
<td></td>
<td>(0.097)</td>
<td>(0.097)</td>
</tr>
<tr>
<td>Constant</td>
<td>19.018***</td>
<td>18.680***</td>
</tr>
<tr>
<td></td>
<td>(1.259)</td>
<td>(1.262)</td>
</tr>
<tr>
<td>Observations</td>
<td>1248</td>
<td>1248</td>
</tr>
</tbody>
</table>

Standard errors in parentheses
* p < 0.05, ** p < 0.01, *** p < 0.001

Table 4. Fixed Effects Regression Predicting Economic Insecurity in US states.
References


