Consent, Kant, and the Ethics of Debt

Kate Padgett Walsh

Iowa State University
padgettwalsh@gmail.com

ABSTRACT: The 2008 housing and financial crisis brought to light many ethically questionable lending and borrowing practices. As we learn more about what caused this crisis, it has become apparent that we need to think more carefully about the conditions under which can loans be ethically offered and accepted, but also about when it might be morally permissible to default on debts. I critique two distinct philosophical approaches to assessing the ethics of debt, arguing that both approaches are too simplistic because they focus only on individual borrowers and lenders. As a result, neither approach can adequately grasp the moral implications of the social and economic failures that frame actual dilemmas of debt facing many individuals today.

"The wicked borrow and do not repay."
—Psalm 37:21

"Paying back debt is a moral obligation."
—Michelle Singletary, *The Boston Globe*

"I blame the borrower. Yes, it is bad politics and bad manners to say that the 'little guy' deserves the brunt of the blame for the global subprime mortgage crisis. But I blame him nonetheless, with minimal qualifications and apologies."
—Rob Ashgar, *The Wall Street Journal*

THESE QUOTES REFLECT A FAMILIAR AND PERVASIVE intuition about the moral obligations imposed by debt. In this paper, I examine the philosophical bases of this intuition in light of today's social and economic context. Serious ethical questions are raised by the increasing complexity of circumstances in which debts are now offered, assumed, repaid, and sometimes defaulted upon. What are the

obligations of borrowers and lenders today? Under what conditions can loans be ethically made and accepted? Is it ever morally permissible to default on a loan? The 2008 housing and financial crisis made these questions urgent, but also highlighted the need to reconsider questions raised by other kinds of personal debt.

I argue that the moral questions raised by many actual debts today are too complex to be adequately grasped from within standard philosophical approaches. One approach would focus narrowly upon consent, i.e. whether debts are freely assumed. A second, more comprehensive approach is suggested by Kant's moral theory and focuses upon the intentions of lenders as well as borrowers. I show that Kant's approach offers a richer understanding of the ethics of debt, as illustrated by the example of payday lending. However, Kant's approach is ultimately too simplistic because it fails to consider important elements of the complex social and economic context in which loans are actually made and repaid. As the 2008 financial crisis revealed, this context cannot be ignored if we wish to understand the moral obligations of borrowers and lenders today.

Consenting to Debt

One approach to the ethics of debt would focus exclusively upon the obligations generated by promising, and specifically upon the condition that borrowers and lenders freely consent to loans. The idea that voluntary promises generate moral obligations has been articulated by a number of philosophers. Aquinas holds that a promise is morally binding so long it is "the act of a deliberate will" (Aquinas, IIb, q88). Grotius maintains that the act of promising creates distinctively moral obligations independently of any legal obligations, so long as the promise is voluntary (Grotius, 131). Seana Shiffrin argues that consensual promises directly generate moral obligations, and Michael Robins proposes that genuine promising just is "the will obligating itself," an essentially a voluntary act (Shiffrin, 517; Robins, 322).

I do not wish to deny that consent is essential to the validity of promises. But, on its own, a narrow focus on promising and consent provides only limited tools for understanding the ethics of debt. Payday loans, for example, raise ethical concerns that extend beyond questions about consent and promises. 12 million Americans take out payday loans every year (Pew Charitable Trusts 2012). Interest rates vary due to different state regulations, but annualized rates can be higher than 400%. On the average loan of $375, borrowers pay an additional $520 in interest (Pew Charitable Trusts 2012). Colorado, which collects especially extensive data on payday lending, has found that most loans are made for the maximum amount allowed by law, with an average APR of 343% (Colorado Attorney General's Office).

How should we assess the moral obligations associated with these loans and the behavior of the industry that profits from them? Focusing only upon consent, we ask whether payday lenders coerce borrowers into taking out loans. Payday lenders typically operate like other businesses; they advertise, but customers freely walk through their doors and sign contracts. However, even if payday lenders do not force borrowers into taking out loans, their business practices still raise serious ethical concerns. The business model of payday lenders is one of profiting from the inability

of borrowers to repay loans on time. 61% of payday loans merely refinance previous payday loans that have become delinquent, and high profits in the industry derive primarily from steep penalties that are charged for late payments (Colorado Attorney General's Office, Stegman, 170; Bianchi, 7). Moreover, research shows that payday loans are generally harmful to the well-being of borrowers; lenders profit not by serving the poor, but at their expense (Mayer, 198; Pew Charitable Trusts 2013, Stegman, 173). Is it ethical for payday lenders to offer loans that are designed to create a harmful cycle of debt and delinquency? This question disappears from view if we reduce the moral analysis to the fact that payday borrowers consent to their loans.

To fully assess the ethical dimensions of most human interactions we must look beyond the mere fact of consent to also examine the circumstances that shape individual choices. In the case of payday lending, a variety of social and economic factors frame the decisions of borrowers without necessarily rising to the level of coercion. Economic hardship plays an important role, but so do lax regulation of payday lending, problematic norms about banking and consumption, and other social and economic factors (Davidson, 135; Stegman, 175). Consider, for example, that 81% of payday borrowers report that they could cut back on spending if the loans were made unavailable (Pew Charitable Trusts 2012). Moreover, research shows that the primary reason the poor use the check cashing services offered by payday lenders is that they distrust traditional banks (2008). This distrust is costly, to the tune of an extra $400 a year in fees for the average individual. A variety of social and economic problems thus make payday loans attractive to borrowers, and although some borrowers may be forced by economic hardship into taking out loans, many are not. A narrow consent approach fails to examine the broader social and economic context and, as a result, it addresses only one dimension of the ethics of debt.

The Intentions Behind Borrowing and Lending

A second approach to the ethics of debt, rooted in Kant's moral theory, offers a richer perspective. This approach focuses on assessing the intentions that underlie decisions about borrowing and lending. In the *Groundwork*, Kant considers the dilemma of a man who wishes to borrow money he will not be able to repay. Kant formulates the man's proposed maxim as: 'When I believe myself to be in need of money I shall borrow money and promise to repay it, even though I know that this will never happen' (Kant 1997, 32). When universalized, this maxim generates a contradiction in conception. If making such bad-faith promises were standard practice whenever people believed themselves to be in need, promises to repay debts would not be reliable. As a result, access to credit would be greatly restricted and so the borrower in the example would be unable to act on his proposed maxim of attaining credit under false pretenses. Kant concludes that we have a perfect duty not only to repay our debts, but also to refrain from making false promises.

Kant's own examples only concern the ethics of borrowing and repayment, but his focus on intentions can also help us to better understand the ethics of lending. Let us consider a case that is in some respects similar to payday lending, but also crucially

different. The microfinance industry has recently exploded alongside the payday loan industry. Microfinance lenders offer credit and other financial services to the poor, charging high fees and interest rates of up to 100% annually. Loans are small, comparable in size to those offered by payday lenders (typically $25-500). Although some microfinance lenders are non-profits, many (including the first microfinance lender, Grameen Bank) are financed by investors who expect competitive returns.

The business model of microfinance lenders, however, is markedly different from that of payday lenders. Microfinance lenders offer loans to borrowers whom they expect to repay in a timely fashion. The typical microfinance borrower is credit-worthy but unable to secure a loan because traditional banks are unwilling to lend small amounts of money due to the overhead involved in processing and administering loans. Microfinance lenders charge higher fees and interest rates to cover this overhead. The moral difference between the two business models comes into focus when we formulate and test the maxims that underlie them. Consider the maxims of two different lenders:

Microfinance: 'I will offer modest loans only to borrowers who are likely to repay in a timely manner, in order to profit from their timely repayment.'

Payday: 'I will offer maximally-large loans to borrowers who are unlikely to repay in a timely manner, in order to profit from their probable delinquency.'

The microfinance maxim requires that borrowers be judged credit-worthy and that loans be modest. The payday maxim explicitly rejects these conditions because the underlying business model is one of profiting from high levels of debt and delinquency.

This difference is morally significant. The microfinance maxim, when universalized, generates no contradiction. Microfinance lenders could still be act upon their maxim if it were universally adopted. Indeed, the microfinance industry has been widely lauded for its goal of providing credit to an underserved population.[1] Lenders are typically profit-oriented but also motivated by a conviction that access to financial services will help to lift the poor out of poverty.[2] They intend to work with credit-worthy borrowers and offer loans only to those who can afford them. Such a business model could be adopted as a universal law without generating a contradiction in either conception or will.

In contrast, the payday maxim generates a contradiction in conception when universalized. Payday lenders profit from intentionally encouraging borrowers to become severely indebted and delinquent. When universalized, their maxim would create a world in which lenders offered larger loans with higher interest rates and penalties to borrowers who could not afford them. A contradiction arises because lenders would thus will to make money off the loans they issue within a system of payday lending in which, because there are no borrower protections or awareness of a borrower's limits, loans cannot ultimately be recouped. Were the payday maxim to be the standard practice of all lenders, it would create an inherently compromised market for profitable lending because borrowers would be excessively indebted and delinquent to the point of widespread default. Indeed, ample historical evidence demonstrates that when lending practices like those of payday lenders go unchecked, defaults skyrocket and profoundly destabilize markets (Graeber, 359). The basic market conditions upon which payday lenders rely would thus be disastrously

undermined by the universalization of their business model. Payday lenders would be unable to act upon their maxim if it were universally adopted because, as in the false promise example, the very practice of lending money for profit would be undermined.

Kant's approach, by looking beyond the mere fact of consent to focus on underlying intentions, thus illuminates a crucial dimension of the ethics of lending and borrowing. The moral difference between the business model of microfinance lenders and that of payday lenders is that the latter depends for its efficacy upon its underlying maxim not being universalized. I argue in the next section, however, that Kant's approach is still limited because it ignores salient aspects of the broader social and economic context that frames actual borrowing, lending, and repayment. The circumstances surrounding debt are especially complex today, and this complexity challenges the notion that a narrow focus on individual intentions is fully adequate for understanding of the ethics of debt.

Bringing Context into Focus

The complex and systemic nature of the 2008 financial crisis reveals the limits of Kant's approach to the ethics of debt. According to a familiar mantra, the crisis could have been averted if individual borrowers and lenders had just been more honest and self-disciplined. However, such a mantra serves to obscure broader structural forces that shape borrowing, lending, and repayment today. The 2011 report of the National Commission on the Causes of the Financial and Economic Crisis provides a thorough and wide-ranging investigation into the causes of the financial crisis. The report concludes that the crisis was created not just by unscrupulous lenders or irresponsible individuals, but also by three systemic failures: risky lending, inadequate regulation, and a culture of excessive borrowing.

First, risk. Beginning in the 1980s, regulatory changes allowed lenders to begin selling off mortgage loans. This new practice meant that lenders profited from issuing and selling as many mortgages as they could, regardless of whether borrowers were genuinely credit-worthy. A proliferation of new kinds of mortgages, many offered to borrowers who could not afford them, introduced unprecedented risks into mortgage securities. This change was studiously ignored by investment banks, whose profits depended upon investors believing that mortgage securities were good investments. Investors and rating agencies similarly ignored the huge shifts that had occurred in the industry. Few warnings were issued about the growing and systemic risk until it was too late.

Second, inadequate regulation. The rise of free market ideology led, beginning in the 1980s, to the widespread deregulation of lending and financial markets, precisely at the moment that those markets were becoming vastly more complex. In the decade leading up to 2008, the market for derivatives like collateralized debt obligations, which insured mortgage securities against default, grew unregulated alongside the market for those securities. When the real estate bubble finally burst in 2008 and mortgage defaults skyrocketed, it became apparent that some investment banks and insurance firms had, in the absence of regulation, made huge profits by

making promises they could not keep. Only a federal bailout prevented default to their investors.

Third, excessive borrowing. The decades leading up to 2008 witnessed a massive expansion of personal credit, resulting in part from decisions at the Federal Reserve. Fueled by this infusion of credit, strong growth in the finance and real estate markets generated irrational exuberance. Much of the nation then came to be in the grip of what has since been described as a "mass delusion" about the strength and stability of markets (Financial Crisis Inquiry, 3). Evidence of this mass delusion abounds. For instance, some popular kinds of mortgages, such as interest-only loans, generally only make sense if one assumes that home prices will keep rising indefinitely. In retrospect, such exuberance defies both history and common sense. But at the time, it was virtually irresistible, even to those who should have known better.

I have greatly simplified the findings of the Commission. The crisis was far more complex than can be described in a few pages.[3] But this very complexity highlights the systemic nature of the crisis and the ethical dilemmas it created for individuals. If we ignore the structural causes of the crisis in order to focus just on individual intentions, then we will oversimplify the dilemmas faced by people in its aftermath. Let us imagine a family, the Smiths, who, like many borrowers, were negatively affected by the 2008 crisis in two significant ways. First, the crisis caused a sharp drop in home values, especially in certain locations. By 2011, an unprecedented number (over one quarter) of U.S. mortgages nationwide exceeded the value of the property. Second, the crisis caused the "Great Recession" in which millions of people lost savings and income. In the wake of the crisis, the Smiths were left struggling with both reduced income and an underwater mortgage. In order to protect what remained of their savings, they cut expenses. They also tried to renegotiate the size and terms of their mortgage, but those attempts were unsuccessful. They then considered defaulting on their mortgage. Might default in such circumstances be morally permissible?

I argue that this question is too complex to be answered just by evaluating individual maxims. To see why, let us consider whether the Smiths violated the categorical imperative when they first took out the loan. Some borrowers in the lead-up to the crisis were dishonest, lying on mortgage applications, for instance. Others were irresponsible, spending more than they could reasonably have been expected to afford. Ultimately, however, many borrowers were neither dishonest nor irresponsible. The Smiths, let us stipulate, did not violate the categorical imperative when they took out their loan. They acted on the maxim: 'When it seems financially prudent, we will borrow money that we intend to repay in order to achieve the goods of home ownership.' This is the maxim of honest and responsible borrowers, and it presents no problems with universalization. In a world where everyone followed this maxim, honest and responsible borrowing would be the norm.

Yet, many people who followed such a maxim in the lead-up to the crisis were nonetheless left underwater and with reduced income afterward. Might default be morally permissible in some of those cases? The proposed maxim of default is as follows: 'When I believe myself to be in need, I will default on my debt in order to relieve that need.' This maxim, like Kant's original maxim in the false promise case, excludes consideration of the causes and severity of the need. According to Kant, the

only morally salient feature of the situation is that the borrower believes he would be better off if he made a false promise or, in this case, if he defaulted. The question, then, is whether a general maxim of default could be universalized without contradiction. If people always defaulted on debts when doing so would leave them better off, then lending would be severely restricted and new ways of preventing default would be implemented. The Smiths thus have a perfect duty not to default.

This analysis focuses exclusively upon individual intentions. Such a focus is problematic because social and economic considerations can frame our intentions without necessarily figuring directly into them. At a very minimum, for instance, Kant's original maxim in the false promise example assumes specific understandings of property and debt that are indexed to a particular historical and cultural context. But understandings of property and debt have varied greatly throughout history; not all debts are even meant to be repaid, at least not in the way that Kant assumes. Anthropologists have shown that in some cultures, debts are understood more as gifts that serve to build positive social relationships than as obligations requiring fulfillment (Piot, 56ff; Graeber, 12-13). Kant's maxim in the false promise example, in contrast, presumes a specifically modern context in which debts require repayment and individual property rights are taken to trump the needs of others. This context is not explicitly contained within the false promise maxim, but rather provides a backdrop against which Kant formulates and evaluates the maxim.

In a similar way, the systemic failures that created the 2008 crisis also frame the maxims of people like the Smiths. Like most of us, the Smiths understood very little of the complex social and economic failures to which they were subject. Yet, those failures frame their choices and actions in important ways. Consider, for instance, that mortgage contracts today are lengthy and complex documents that few people really comprehend. The policies and practices that underlie such contracts are even less clear and transparent. It stretches credulity to think that all of this rich complexity is actually contained within any individual's maxim. Instead, that complexity constitutes a framework or backdrop for individual maxims, a context that anchors individual intentions. What the 2008 crisis revealed is that the context surrounding much actual borrowing and lending was in many ways significantly flawed. And those flaws are relevant to the dilemma faced by the Smiths, even if the flaws do not explicitly appear within their maxims.

This limitation of Kant's focus on individual maxims is also apparent in his own discussion of the relationship between poverty, wealth, and injustice:

> Someone who is rich (has abundant means for the happiness of others, i.e., means in excess of his own ends) should hardly even regard beneficence as a meritorious duty on his part...Having the resources to practice such beneficence as depends on the good of fortune is, for the most part, a result of certain human beings being favored through the injustice of the government, which introduces an inequality of wealth that makes others need their beneficence. Under such circumstances, does a rich man's help to the needy, on

> which he so readily prides himself as something meritorious, really deserve to be called beneficence at all? (Kant 1996, 201)

Most poverty and wealth, Kant contends, are the result of systemic failures that advantage some at the expense of others. Because of this, the wealthy have a duty to help the poor, not simply because they have the means to do so, but also in order to rectify the injustice from which they benefit.[4] But Kant does not consider the possibility that the moral obligations of the poor might also be altered by having been the victims of such injustice. Instead, he regards the causes of a person's need as irrelevant to the ethics of promising and default. And so, although he proposes that the law ought to recognize a "right of necessity" and excuse some crimes driven by extreme need, Kant denies that there exists any corresponding moral right (Kant 1996, 27-28). The fact that a debt is predicated upon deep injustice is apparently in no way relevant to the ethics of its repayment.

But should borrowers always be held to debts that are thus predicated upon significant failures in the underlying social and economic context? Kant fails even to consider such a question. His narrow focus on maxims causes him, in the passage above, to ignore the additional burdens faced by those who are the victims of a flawed context, one that benefits the wealthy at the expense of the poor. Similarly, in the wake of the 2008 crisis, a narrow focus on individual intentions serves to obscure ethically salient features of the crisis. Jeff Plagge, Chairman of the American Bankers Association, exhorts individual victims of the crisis simply to "take personal responsibility" for their resulting debts (Hicks). This mantra very clearly serves the interests of banks and financial corporations, but at a high cost to individuals and families. And it ignores the role of those same banks and financial corporations in creating and profiting from the crisis. The structural failures that caused the dilemmas faced by families like the Smiths are not incidental to their struggles, but rather central to them. A myopic focus on individual intentions without reference to context serves, in the wake of the crisis, to divert attention away from the broader failures that frame those intentions.

The most promising response from Kantians essentially concedes the point. Onora O'Neill, in an explicit departure from Kant, proposes an expanded conception of maxims: a maxim is any principle that guides behavior, she contends, regardless of whether or not it figures into an individual agent's conscious intentions (O'Neill, 273). She argues that this amendment to Kant's moral theory provides an important new tool for assessing the moral failings of relationships, practices, and institutions. To illustrate how maxims might unconsciously guide behavior, she appeals to a Marxist critique of capitalism. Marxists argue that capitalism's emphasis on profit requires paying workers less than the value of what they produce. O'Neill interprets this as a critique of a maxim of capitalist employment, namely that of extracting surplus value. Understood in this way, the Marxist claim is that under capitalism employers and employees base their actions upon a principle of extracting surplus value, whether or not they consciously are aware of doing so. The maxim guides behavior without being specific to individual agents.

O'Neill stops short of endorsing this critique, but the example nonetheless illustrates how Kantian theorists could use the expanded conception of maxims to

morally evaluate at least some elements of context. For instance, we can now evaluate Kant's claim that most wealth is derived from injustice by identifying the maxims underlying the various relationships, practices, and institutions that create wealth in order to determine whether they violate the categorical imperative. And O'Neill's amendment provides an important resource for understanding the failures that created the 2008 crisis. The business practices of mortgage lenders certainly deserve scrutiny, and the amendment allows us to evaluate mortgage lending maxims at the institutional level, independently of whether those maxims figure into the conscious intentions of specific individuals.

However, while O'Neill's expanded conception of a maxim proves helpful here, it also has two limitations. First, let us grant, as Kant contends, that all human actions are guided by maxims. But why should we think that maxims ultimately underlie all relationships, practices, and institutions, much less the complex systems that are made up of many such relationships, practices, and institutions? For instance, leading up to the financial crisis, a myriad of factors combined to introduce systemic risk into financial and real estate markets. The list of such factors extends beyond the unethical business practices of lenders and investment banks. It also includes: failed government oversight, the development of market incentives that compromised the judgment of analysts, widespread delusions about market strength, and the advent of new and complex financial products that are incredibly hard to understand, much less regulate. It is far from obvious that all of these kinds of social and economic factors can be adequately captured within maxims.

Second, even if the failures leading up to the crisis could be fully understood in terms of underlying maxims, a gap still persists in Kantian moral theory between maxims and context. Suppose that the business practices of the Smiths' lender were indeed unethical. Should this in any way affect the dilemma of default faced by the Smiths? More generally, how should the systemic failures that framed the behavior of so many individuals in the lead up to the 2008 crisis figure into our understanding of the dilemmas they face today? O'Neill stops short of addressing this issue, i.e. of considering how the moral landscape might be altered when individuals confront unethical practices and institutions. But this is precisely the issue that is at the heart of the dilemma faced by the Smiths. So long as maxims continue to be evaluated in isolation from the context that frames them, social criticism will have little to no bearing upon the real dilemmas faced by individuals.

Conclusion

I have argued that Kant's approach, like the consent approach, offers an overly simplistic understanding of the ethics of debt today. And it does so in a way that serves to further disadvantage those who, like the Smiths, already suffer because of failures in the broader social and economic context. We should be skeptical of the adequacy of any approach to the ethics of debt that fails even to question whether individual borrowers should be stuck paying most of the costs of structural failures.

But this will be unavoidable so long as maxims, whether at the individual or institutional level, continue to be the exclusive locus of moral evaluation.

What, then, is the alternative? My argument in this paper has exposed the limitations of two potential approaches to the ethics of debt. The next task, which I pursue in a separate paper, is to develop a new and more comprehensive approach that takes into account the complex and systemic failures that surround borrowing, lending, and repayment today.[5] The challenge is that, when we widen our focus to include elements of context, the natural tendency is to direct our attention to public policy questions.[6] This is not inappropriate, since many systemic failures can only be addressed at the level of policy. Yet, the ethical questions surrounding debt persist at the individual level as well. In order to begin to address the gap between individual maxims and context, what is required is a methodological shift. Instead of modeling the ethics of debt on the ideal, and hence most simplistic, of cases, I suggest that we should instead commence by focusing on the actual dilemmas faced by individuals, including how they are in fact framed by the broader social and economic context.[7] Adopting such a non-ideal approach allows us begin to challenge, instead of tacitly supporting, simplistic mantras about the obligations of borrowers today.[8]

Works Cited

Aquinas, Thomas. 1981. *Summa Theologica*, translated by Fathers of the English Dominical Province. Notre Dame, IN: Christian Classics.

Bianchi, Nicholas. 2012. Profiting from Poverty: How Payday Lenders Strip Wealth from the Working Poor for Record Profits. Chicago: National People's Action.

Colorado Attorney General's Office. 2010. Payday Lending Demographic and Statistical Information.

Davidson, Mark A. 2011. "No Conscience to Shock: The Ethical Dimensions of Non-Discretionary Personal Debt Assumption," *International Journal of Applied Philosophy* 25:2, 131-149.

Financial Crisis Inquiry. 2011. *The Financial Crisis Inquiry Report, Final report of the National Commission on the Causes of the Financial and Economic Crisis in the United States*. New York, NY: Public Affairs.

Graeber, David. 2011. *Debt : The First 5,000 Years*. Brooklyn, NY: Melville House.

Grotius, Hugo. 2005. *The Rights of War and Peace*, edited by Richard Tuck. Indianapolis, IN: Liberty Fund.

Jahiruddin, ATM, Patricia Short, Wolfram Dressler, and M. Adil Khan. 2011. "Can Microcredit Worsen Poverty? Cases of Exacerbated Poverty in Bangladesh," *Development in Practice* 21:8, 1109-1121.

Kant, Immanuel. 1996. *The Metaphysics of Morals*, translated by Mary J. Gregor. Cambridge: Cambridge University Press.

Kant, Immanuel. 1997. *Groundwork of the Metaphysics of Morals*, translated by Mary J. Gregor. Cambridge: Cambridge University Press.

Mayer, Robert. 2003. "Payday Loans and Exploitation," *Public Affairs Quarterly* 17:3, 197-217.

Mills, Charles W. 2005. "'Ideal Theory' as Ideology," *Hypatia* 20:3, 165-184.

Moland, Lydia. 2012. "A Hegelian Approach to Global Poverty," in Andrew Buchwalter, ed. *Hegel and Global Justice*. New York: Springer.

O'Neill, Onora. 1985. "Between Consenting Adults." *Philosophy and Public Affairs* 14:3, 252-277.

Padgett Walsh, Kate. 2014. "Toward an Ethics of Debt," in David Boersma, ed. *Dimensions of Moral Agency*. Newcastle upon Tyne: Cambridge Scholars Press, 182-193.

Pew Charitable Trusts. 2008. "Converting Basic Financial Services Fees into Prosperity: An Untapped Opportunity for Consumers and Banks," in *Safe Banking Opportunities Project*.

Pew Charitable Trusts. 2012. "Who Borrows, Where They Borrow, and Why," in *Payday Lending in America*.

Pew Charitable Trusts. 2013. "How Borrowers Choose and Repay Payday Loans," in *Payday Lending in America*.

Piot, Charles. 1999. *Remotely Global*. Chicago: University of Chicago Press.

Pogge, Thomas. 2005. "Real World Justice," *Journal of Ethics* 9:1, 29-53.

Rankin, Katharine N. 2013. "A Critical Geography of Poverty Finance," *Third World Quarterly* 34:4, 547-568.

Robins, Michael H. 1976. "The Primacy of Promising," *Mind* 85:339, 321-340.

Roemer, John. 2012. "Ideology, Social Ethos, and the Financial Crisis," *Journal of Ethics* 16:3, 273-303.

Shiffrin, Seana Valentine. 2008. "Promising, Intimate Relationships, and Conventionalism," *The Philosophical Review* 117:4, 481-524.

Stegman, Michael A. 2007. "Payday Lending," *The Journal of Economic Perspectives* 21: 1, 169-90.

Wolfe, Regina Wetzel, and Stephen M. Wolfe. 2012. "Chronicles of a Financial Crisis: Causes and Ethical Dimensions," *Teaching Ethics* 12: 2, 163-182.

---

[1] However, as the 2010 microfinance crisis in the Indian state of Andhra Pradesh demonstrates, without adequate regulation and oversight, some lenders who initially followed the microfinance maxim have subsequently adopted the payday model because it is more profitable (Kamzin).

[2] This, at least, is how microfinance lenders represent their business model. In recent years, researchers have raised serious questions about whether microfinance loans really do help to lift the poor out of poverty. Studies reveal that the impacts of such loans are not uniform but rather vary greatly depending upon both the degree and causes of impoverishment, as well as the broader social and regulatory context in which lending occurs. See (Rankin) and (Jahiruddin, Short, Dressler, and Khan).

[3] See also (Roemer) for an excellent discussion of the historical background leading up to the financial crisis.

[4] Thomas Pogge makes a similar argument today. He claims that developed countries owe assistance to developing countries because, as a matter of historical fact, the wealth of developed countries is connected to the poverty of developing countries. This argument is compelling, but the further question is whether the moral obligations of the poor might also be altered by that history of injustice. See (Pogge).

[5] See (Padgett Walsh).

[6] See, for instance, (Wolfe and Wolfe).

[7] I have in mind here the conception of non-ideal ethical theory as an approach that incorporates a recognition of the importance of social location (Mills). See also (Moland).

[8] I am grateful to the Center for Excellence in the Arts and Humanities at Iowa State University for its support, and to Laura Papish, Tony Smith, and Cullen Padgett Walsh, whose comments were of great help. I also wish two thank Travis Anderson and two anonymous reviewers at *Philosophy in the Contemporary World* for their thoughtful comments and concern for clarity.