VIEWPOINT
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A Connecticut Yankee in Bankruptcy Court

by David Bardallis

Summary

One hundred years ago this month, Mark Twain returned to America after an extended world lecture tour, undertaken at age 60 to bring him out of bankruptcy. Remembering his example of personal responsibility is important at a time when too many Americans are taking advantage of loose bankruptcy laws to avoid paying their debts.

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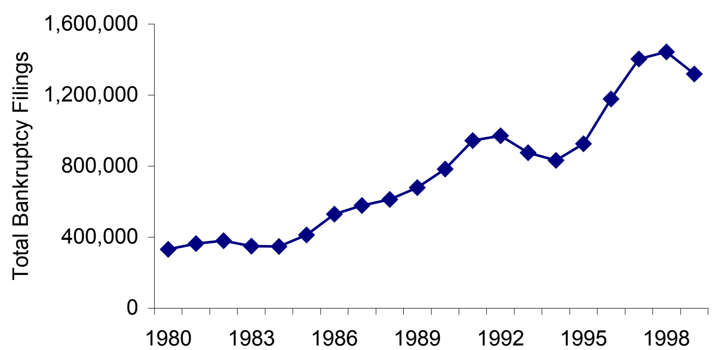
The transatlantic steamer *Minnehaha* pulled into New York harbor Oct. 15, 1900, as throngs of admirers stood near the dock to greet the ship's most famous passenger. "Mark Twain Home Again," trumpeted the headlines of the *New York Times*. The internationally renowned author was back in America after a grueling lecture tour around the world—a tour that began five years earlier with his bankruptcy at age 59.

Twain's fortunes from a lifetime of successful writing went down the drain when a publishing company in which he was heavily invested failed in 1894, leaving him over $100,000 in debt. Under the law, Twain was not obliged to pay the company's creditors in full. In fact, they were willing to accept just 50 cents on the dollar.

But Twain was not satisfied with such a settlement. Acknowledging that "honor is a harder master than the law," he determined in spite of ill health to undertake a speaking tour that would span nine countries on five continents and help him earn enough money to pay back the firm's creditors dollar-for-dollar.

U.S. Bankruptcy Filings Have Soared in the Past Two Decades



Source: American Bankruptcy Institute

Twain set out from Cleveland, Ohio, on July 15, 1895, with his wife Livy and daughter Clara, traveling up the Great Lakes and west by steamship across North America toward Vancouver, British Columbia, where he would embark for Australia. From Australia, he would then travel to New Zealand, followed by India, Ceylon (now Sri Lanka), South Africa, Mauritius, and finally to England.

Audiences everywhere flocked to see and hear the famous wit of Mark Twain. Among the first of his performances were stops in northern Michigan's Sault Ste. Marie, Mackinac Island, and Petoskey. The *Petoskey Daily Resorter* reported "a packed house, and many turned away" for his July 20 appearance at the town's Grand Opera House. Tickets ranged from 50 cents to $1, and members of "the largest, the most

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cultured, and the best audience ever seen in Petoskey" paid a collective $524 for the show, according to the paper.

On the stage, Twain delivered in his distinctive drawl the same basic talk at each of his stops: a humorous, ironic lecture on how people might develop moral character by committing all "462 crimes possible." He illustrated each of these "sermons" with sketches and tales from his work, including passages from "*The Adventures of Huckleberry Finn"* and his famous short story, *"The Celebrated Jumping Frog of Calaveras County."*

By the time he returned to America, Twain had earned enough money to repay his failed firm's creditors in full. He was hailed nationwide in the press and on the streets. Under the headline, "The Hero as Man of Letters," the *New York Times* editorialized that Twain "has shown that the American standard of honor goes beyond the standard set by the law."

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One hundred years later, the American standard—both of honor and law—unfortunately has fallen from what it once was. Today, despite a strong economy and low unemployment, bankruptcy filings are reaching record highs. This year alone, an estimated 1.3 million Americans will file for bankruptcy, many of those filers being reasonably well-off individuals attempting to avoid financial responsibility or shift the costs of extravagant lifestyles onto creditors.

But it is consumers who ultimately pay for unbridled and frivolous bankruptcies. Each year, creditors pass on the cost of roughly $40 billion in debts discharged under loosened U.S. bankruptcy laws to consumers in the form of higher interest rates and finance charges. According to Michelle J. White, a professor of economics at the University of Michigan, the average borrower pays almost $500 per year to cover lenders' bankruptcy losses.

Bankruptcy reform legislation that passed Congress earlier this year attempts to limit frivolous bankruptcies but falls far short of the mark, White notes in a recent article for the Washington, D.C.-based Cato Institute. She recommends a streamlined system that would require filers to repay debt both from current assets and from a portion of their future earnings, rather than being able to choose between the two as they can now. Such a system would limit borrowers' incentive to file bankruptcy in order to avoid debts they racked up and never intended to repay.

Raising "the standard set by the law" certainly would help curb bankruptcy abuses. And following Mark Twain's example of personal integrity and responsibility would go a long way toward restoring the "American standard of honor."

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(David Bardallis is managing editor of publications for the Mackinac Center for Public Policy, a Midland-based research and educational institute. More information is available on **www.mackinac.org**. Permission to reprint in whole or in part is hereby granted, provided the author and his affiliation are cited.)

Michael D. LaFaive
Research Project Manager
140 West Main Street
P.O. Box 568
Midland, MI 48640

Phone: (517) 631-0900
Fax: (517) 631-0964

www.mackinac.org
LaFaive@mackinac.org

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