

Collection agencies find wage garnishment a useful tool, not only because of the debtor's earnings actually reached by levies, but because the threat of garnishment encourages the debtor to make payments. Whether one views this effect as persuasive or coercive depends to some extent on one's point of view. In any event, the encouragement is due to the debtor's fear that he will lose his job if there are more garnishments. The fear is real. Discharges because of repeated wage levies are not uncommon. Employers dislike the added work and expense brought by levies and often limit the number of levies they will permit without discharge. Labor organizations have apparently not been able to bargain effectively on this issue.

The employee who is threatened with discharge, and who cannot pay, sometimes chooses bankruptcy as a means of saving his job. The expansion of consumer credit in the postwar years has been accompanied by a sharp rise in bankruptcies, particularly in nonbusiness bankruptcies. Bankruptcy rates tend to be lower in states that do not permit wage garnishment or that sharply restrict its use. Abolition of wage garnishment would not eliminate personal bankruptcies, but it could contribute significantly to stemming their rising tide.

Wage garnishment is costly. Its immediate costs include official fees—chargeable to debtors—expense to employers, and the community's subsidy of the garnishment process. There are other costs in terms of distress and economic hardship when the family whose earnings are garnished spirals into bankruptcy or unemployment. And there are losses to creditors from garnishment-triggered no-asset bankruptcies. Hardship is not limited to bankruptcy and unemployment; a debtor who avoids both is faced with a fifty per cent wage exemption, an amount that in the great bulk of cases is grossly inadequate.

Wage garnishment does not produce benefits to match these disadvantages. There is no evidence that the granting of credit depends on the availability of this tool. Economic data, even data supplied by collection agencies, show that the ratio of installment credit to retail trade is as high in states that do not permit garnishment as in states that do. The data show further that a state's volume of retail trade and its level of per capita income is unrelated to garnishment laws. This is not surprising in view of the creditor's full kit of tools, in which wage garnishment is only one of many. There are some data indicating that collection agencies tend to collect more of their claims in states that have wage garnishment than in states that do not. But the available information indicates more strongly that consumer credit and retail trade in a state are unrelated to these collection rates. Further, collection data show that several states