Protecting Borrowers or Lenders? Consumer Debt Risk Policies During the COVID-19 Crisis in the United States, Sweden, and Israel

In the wake of the COVID-19 crisis, which has led to reductions and delays in economic activity and spikes in unemployment, concerns have been raised about a consumer debt crisis detrimental to the well-being of households and the stability of the economic system. As a result, governments have faced crisis-management conflicts, as reflected in the risks they have chosen to mitigate through regulation. This study examines how and why Israeli, U.S., and Swedish policies regarding mortgage debt and credit scores differed during the COVID-19 crisis; what objectives were sought and what principles were applied? The study presents a multidimensional, comparative analysis and examines the differences at national and policy levels. The study’s findings show that, compared with Sweden, the United States and Israel took stronger measures to reduce risk in the mortgage and credit scoring systems, although the measures these two countries took were weak and incomplete. Two main conclusions emerge from the article: (1) To manage risk during a crisis, liberal welfare states depend more on regulation than do social democratic states, as their markets are more stable and their households therefore have greater economic stability; (2) The regulatory state is polymorphic, but is governed by the interests and views of strong political players who prefer to reduce lenders’ risks rather than borrowers’ risks.