Protecting Borrowers or Lenders? Consumer Debt Risk Policies During the Corona Crisis in the US, Sweden and Israel

In the wake of the Corona crisis , which has led to reductions and delays in economic activity and has spiked unemployment, concerns have been raised about a consumer debt crisis detrimental to both the well-being of households and the stability of the economic system. As a result of these threats, the state has faced crisis-management conflicts which are reflected in its choice of risks to deal with through regulation in favor of which objectives and according to which principles. This study examines how and why policy responses regarding mortgage debt and credit scores during the COVID crisis have differed between Israel, the United States and Sweden. The study presents a multidimensional, comparative analysis and examines the differences at both the national and the policy levels. The study’s findings show that, compared with Sweden, the US and Israel took steps that were more significant to reduce risks in the mortgage and credit scoring systems, but that the steps in the credit scoring system were weak and partial in both countries. Two main conclusions emerge from the article: (1) During crisis, countries with a liberal welfare state are more dependent on regulation for risk management than social democratic states, which have greater economic stability of the market, and consequently greater economic stability of households. (2) The regulatory state is polymorphic, but it is managed by the interests and views of strong political players who prefer to reduce lenders’ risks rather than reduce borrowers’ risks.