And just where did this whole bankruptcy thing begin?

One of the earliest recorded descriptions of the concept underlying bankruptcy may be found in Deuteronomy 15:1-2:

At the end of every seven years, thou shalt make a release. And this is the manner of the release: Every creditor that lendeth ought unto his neighbor shall release it: he shall not exact it of his neighbor, or of his brother, because it is the Lord's release.

Obviously, bankruptcy has evolved since biblical time. Let us travel in time to Italy sometime between the 9th and 14th Century. Here we can find the root of the word "bankruptcy". Whenever a man refused to pay his debts, those he owed would storm into his house or workplace and destroy his workbench. In Italian broken bench means "banca rotta". Today, that set of words has combined to form bankruptcy.

The First "bankruptcy" laws were established in England during the 16th Century. Generally it was considered a criminal offense. Even today in England the bankruptcy laws are strict and debtors are not left with much for their own. Loss of job, divorce, unforeseen medical problems, or the rocket launch of interest rates on credit cards or loans, will leave an English debtor in a bad spot.

In America, we established "bankruptcy" laws under our civil code. Modern bankruptcy is based on Article 1, Section 8 of the United States Constitution which gives Congress the exclusive power "to establish uniform laws on the subject of bankruptcies throughout the United States." Bankruptcy law is designed to provide a "fresh start" for debtors through either liquidation or reorganization. America first established Bankruptcy Laws in 1800 because Americans were facing a harsh economy. Throughout the 19th and most of the 20th Century many bankruptcy laws were passed and repealed, mainly because of changing economic conditions.

Finally, in 1978, The Bankruptcy Reform Act was passed. The Act made it easier for individuals and businesses to dissolve debts or reorganize. The Bankruptcy Law is one of the keys that make the United States an economically superior country. The Bankruptcy Reform Act allowed previously indebted consumers to spend again, and helped to stimulate the economy. If people are not given more chances to save and spend, our economy would suffer and more people would lose jobs. When an economy is doing well, consumers are spending and companies are growing. The Bankruptcy Law is so important because it actually allows people a chance to cut their losses and spend again, which in turn stimulates the economy.

Many consumers are hoping Congress does not lose sight of the fact that the proposed new bankruptcy laws could make it tougher on individuals to gain bankruptcy protection, and in turn, hurt the economy