

The pursuit of status leads to credit abuse

Have you heard the new definition of debt?

Debt now is falling behind in payments. If you merely owe money, you are not really in debt—until you fall behind in repaying the money.

This new-think rationalization emerges from "The General Mills American Family Report, 1975," a nationwide survey by Yankelovich, Kelly and White, Inc.

The new definition of debt comes,

ironically, at a time when it accurately describes the financial condition of a significant number of Americans. The family economics bureau of Northwestern National Life Insurance Co. (NWNLI) found signs in another survey that the under-25 generation shows a declining desire for the high standard of living that makes indebtedness common and sometimes burdensome.

BUT THE attitudes of the new gen-

eration apparently have had little impact so far on facts such as these:

- Delinquency rates on installment loans in 1974 reached 3 percent—a 25-year high.
- Personal bankruptcy petitions increased 8 percent during fiscal 1974 and were expected to increase 17 percent to about 245,000—for the 1975 fiscal year that ended June 30.
- Nearly half the people who told the interviewers that their standard of living had declined said they "can't make ends meet."

A new, more liberal concept of debt may be the means by which an increasing number of Americans are alienating their distress about their personal financial reverses.

Economists explain their problem this way: The hot dry winds of inflation have dehydrated many family budgets to the point where they are too weak after paying for necessities, to repay debts.

BUT WHY were so many people vulnerable to inflation in the first place? It is apparent," said NWNLI's family economics bureau, "that many consumers lowered their guard when they assumed monthly payments virtually equivalent to monthly income. Then inflation took advantage of the opening to deliver a hard blow to the budgetary solar plexus."

The fact that many consumers charged and borrowed too much may explain their present financial fix—although inflation obviously shares the blame.

Explaining the popularity of credit and borrowing, Sidney Margolis, consumer affairs writer, said Americans seek the respect of their fellows with a display of affluence. Affluence, Americans believe, is a sign of success, and a successful person enjoys greater status and social acceptance.

Those whose current incomes cannot support a show of affluence—apparently an increasing proportion of Americans—use credit instead of cash to achieve affluence.

MARY QUINN-CALLAM, assistant to the president of the non-profit National Foundation for Consumer Credit (NFCU), which counsels people whose distrust for reality finally overcomes the patience of their creditors, said the financial condition of many who enroll NFCU for help is so bad that they can't bear to look so to speak. They don't know how much they owe or their monthly payments.

Most families ignore financial charges or simply are not aware of them, the American Family Report states.

Some people miscalculate their ability to repay a debt by measuring it against gross income, said Joseph V. Mather, Manager of Consumer Credit Counseling Service of Minnesota.

A charge-it mentality induced by easy credit obviously appeals to many consumers. For some, says the family economics bureau, it is the only way to achieve status and self-respect that Americans view as the benefits of affluence. Other manifestations of this mentality are:

- Psychology of entitlement—"What was once the responsibility of the individual (good job, good standard of living) now is believed by one out of two to be a right-like unemployment insurance and Social Security," according to the Yankelovich-General Mills study.

- Prosperity mentality—Some consumers bought in the blind belief that prosperity was here to stay, and so was their annual increase in income. But when they didn't get the expected raise, or when their work hours were reduced or their wives laid off, they were unable to pay for their new boat.

- Compulsive shopping—The number one national sport is not baseball. It is shopping. Shopping has carthartic value, one couple told a debt counselor that for the husband the fun of shopping had been an antidote to the dreariness of his job.

- Luxuries and necessities—The intoxicating experience of long-term affluence has converted one-time luxuries into "necessities" that consumers felt they must own or their lives would be blighted. A second car, a color TV, and week-end trips now are deemed as necessities, the American Family Report study found.

And so the good life, bought on time, became so alluring that millions could not resist it—even though they couldn't afford it. Now, some of them are suffering the consequences, hastened by "stagflation," shrinking purchasing power and personal finances that can't stretch far enough to cover all expenses—despite cutbacks in food purchases and even needed medical care.

THE NWNLI'S FAMILY economics bureau concluded that people with compulsive personalities or cavalier attitudes toward credit cards and charge accounts—and debt repayment—need self-restraint. They owe it to themselves to learn the art of strategic hesitation preceding credit decisions.

While they hesitate, they can think

about what they earn and what they owe each month, what it costs to live (including the "little things" that have helped bankrupt families) and whether they are equipped with insurance and savings to cope with emergencies like unemployment, serious illness, or even death.

A return to the "rationality" concept of self-reliance, favored by the 19th century American philosopher Ralph Waldo Emerson, may save many hard-pressed consumers. Incidentally, it was Emerson who wrote "Pay every debt as if God wrote the bill."



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