

Shedding light on our credit card 'dependency'

A new 20-year analysis provides insight that has implications for a possible economic recovery.

Hardly a day goes by that I don't hear pundits and media folk worrying about how over-leveraged consumers are with debt, including credit-card debt. Thus, these people argue, expect only a muted economic recovery.

A new study of Americans' use of credit cards, covering the period from 1989 through 2007, by the nonprofit and nonpartisan American Institute for Economic Research provides some revealing insights as to the true nature of Americans' credit-card burdens.

"Data show that the majority of Americans are not struggling with persistent credit-card debt," said AIER Economist and Research Fellow Polina Vlasenko, Ph.D. Vlasenko's review found the following:

- In 2007 (the most recent year covered by the survey), 27 percent of U.S. families did not own a single credit or charge card.

- Among families with credit cards, the median number of cards in 2007 was two, the same it has been since 1989. This harkens back to my review (posted at [\[tyson.com\]\(http://tyson.com\)\) of Newsweek's Fareed Zakaria's cover article in which he made numerous erroneous statements including, "The average household owns 13 credit cards."](http://www.eric-

</div>
<div data-bbox=)

- The percentage of families carrying balances on their credit cards has increased over time, but has increased at a much slower pace than access to credit cards here. From 1989 to 2007, the percentage of families having credit cards increased at nearly three times the rate of the percentage of families carrying balances on their cards, which has increased just a few percentage points during the past two decades.

- Of the 73 percent of U.S. families possessing credit cards, 42 percent had no balance after paying their most recent bill.

Only 25 percent of all credit-card holders "hardly ever pay off the balance." This means that less than one family in five (25 percent of the 73 percent possessing credit cards) routinely carry a credit card balance.

- The median credit card



ERIC TYSON
Investor's Guide

balance in 2007, among those families carrying a balance, was \$3,000.

"The recession has supposedly led to increases in family savings, major efforts by families to reduce debt, and other belt-tightening measures, so the figures given in

the Fed consumer-finance survey probably even exaggerate the extent of the current credit problem," said Vlasenko.

In summary, Vlasenko says: "As is often the case, the reality is often less extreme and dire than we are led to believe. Sure, some families and individuals are drowning in credit-card debt.

And some misuse their credit cards. But the vast majority of Americans appear to manage their credit wisely."

Financial expert Eric Tyson is a Fairfield County resident. Write to Eric Tyson, author of "Mind Over Money" (CDS Books), "Investing for Dummies" and "Personal Finance for Dummies" (Wiley), via e-mail: eric@eric-tyson.com.

