The Credit Card: 
Private Troubles and 
Public Issues

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Credit cards are a taken-for-granted and convenient means to "pay" for things that we want or need. However, in this section George Ritzer helps us see another side of credit cards and their impact on our lives. His focus is on how credit cards generate what C. Wright Mills called personal troubles and public issues. As you read this article, think about the role credit cards play in your own life. Are they the source of a personal trouble for you?

The credit card has become an American icon. It is treasured, even worshipped, in the United States and, increasingly, throughout the rest of the world. The credit card expresses something about the essence of modern American society and, like an express train, is speeding across the world's landscape delivering American (and more generally consumer) culture. My goal is to explain what the credit card tells us, both good and (mainly) bad, about the essence of modern America as well as why and how the credit card is helping to transform much of the world.

The credit card is not the first symbol of American culture to play such a role, nor will it be the last. Other important contemporary American icons include Coca-Cola, Levi's, Marlboro, Disney, and McDonald's. What they have in common is that, like credit cards, they are products at the very heart of American society, and they are highly valued by, and have had a profound effect on, many other societies throughout the world. However, the credit card is distinctive because it is a means that can be used to obtain those other icons, as well as virtually anything else available in the world's marketplaces. It is because of this greater versatility that the credit card may prove to be the most important American icon of all. If nothing else, it is likely to continue to exist long after other icons have become footnotes in the history of American culture. When the United States has an entirely new set of icons, the credit card will remain an important means for obtaining them.

The Advantages of Credit Cards

... The most notable advantage of credit cards, at least at the societal level, is that they permit people to spend more than they have. Credit cards thereby allow the economy to function at a much higher (and faster) level than it might if it relied solely on cash and cash-based instruments.

Credit cards also have a number of specific advantages to consumers, especially in comparison to using cash for transactions:

- Credit cards increase our spending power, thereby allowing us to enjoy a more expansive, even luxurious lifestyle.
- Credit cards save us money by permitting us to take advantage of sales, something that might not be possible if we had to rely on cash on hand.
- Credit cards are convenient. They can be used 24 hours a day to charge expenditures by phone, mail, or home computer.* Thus, we need no longer be inconvenienced by the fact that most shops and malls close overnight. Those whose mobility is limited or who are housebound can also still shop.
Credit cards can be used virtually anywhere in the world, whereas cash (and certainly checks) cannot so easily cross national borders. For example, we are able to travel from Paris to Rome on the spur of the moment in the middle of the night without worrying about whether we have, or will be able to obtain on arrival, Italian lire.

Credit cards smooth out consumption by allowing us to make purchases even when our incomes are low. If we happen to be laid off, we can continue to live the same lifestyle, at least for a time, with the anticipation that we will pay off our credit card balances when we are called back to work. We can make emergency purchases (of medicine, for example) even though we may have no cash on hand.

Credit cards allow us to do a better job of organizing our finances, because we are provided each month with a clear accounting of expenditures and of money due.

Credit cards may yield itemized invoices of tax-deductible expenses, giving us systematic records at tax time.

Credit cards allow us to refuse to pay a disputed bill while the credit card company investigates the transaction. Credit card receipts also help us in disputes with merchants.

Credit cards give us the option of paying our bills all at once or of stretching payments out over a length of time.

Credit cards are safer to carry than cash is and thus help to reduce cash-based crime.

Of course, credit cards also carry advantages to merchants. Merchants who accept credit cards are, for example, likely to gain a great deal of business they would not otherwise get. And, unlike cash in the till, credit card receipts are not magnets for thieves.

Then there are the comparative disadvantages associated with cash and checks. For example, cash is far more transient than credit cards and can therefore more easily be stolen, lost, destroyed, or simply worn out. It is also not as portable as credit cards because it is bulky, especially in large amounts, and it is not easily used in other countries. Finally, to run a cash economy—to "print, mint, replace, circulate, protect" money—costs a great deal. In contrast, credit cards have no direct cost to the state. The credit card companies foot the bills out of profits derived from their credit card business.

Checks have even greater problems. They, too, can be stolen, lost, destroyed, or (less likely) worn out. Forgery is an ever-present problem with checks. Checks are also awkward to use. For example, each check must be written out individually, many places do not honor checks, and even those that do frequently require one or more forms of identification.

Credit card use has boomed because of its advantages as well as the disadvantages of its main competitors—cash and checks. However, cash and checks do have some advantages over credit cards. For example, cash and often checks can be used at no cost to the consumer, whereas credit cards often end up entailing substantial expense. More important, cash and checks avoid many of the social problems associated with credit cards.

A Key Problem with Credit Cards

In the course of the twentieth century, the United States has gone from a nation that cherished savings to one that reveres spending, even spending beyond one's means. . . . At one time, debt was something to be avoided at all costs, but today people seem to be rushing into debt as quickly and as deeply as possible. Instead of being measured by the amount of money we have in the bank, we are likely to be evaluated on the basis of how far we have plunged into debt. The status symbol of an ever-increasing bank balance has been replaced by efforts to impress our friends with the magnitude of our mortgage.

loans and home equity lines of credit, as well as the number of credit cards we possess and their upper limits.

At the level of the national government, our addiction to spending is manifest in a once-unimaginable level of national debt, the enormous growth rate of that debt, and the widespread belief that the national debt cannot be significantly reduced, let alone eliminated. As a percentage of gross national product (GNP), the federal debt declined rather steadily after World War II, reaching 33.3% in 1981. However, it then rose dramatically, reaching almost 73% of GNP in 1992. In dollar terms, the federal debt was just under $1 trillion in 1981, but by September 1993, it had more than quadrupled, to over $4.4 trillion. There is widespread fear that a huge and growing federal debt may bankrupt the nation and a near consensus that it will adversely affect future generations.

Our addiction to spending is also apparent among the aggregate of American citizens. Total personal savings was less in 1991 than in 1984, in spite of the fact that the population was much larger in 1991. Savings fell again in the early 1990s from about 5.2% of disposable income in late 1992 to approximately 4% in early 1994. A far smaller percentage of families (43.5%) had savings accounts in 1989 than did in 1983 (61.7%). And the citizens of many other nations have a far higher savings rate. At the same time, our indebtedness to banks, mortgage companies, credit card firms, and so on is increasing far more dramatically than similar indebtedness in other nations.

Dwindling or nonexistent savings accounts are a big problem for individual Americans. Most people have little or no financial reserves to sustain them if they should find themselves unemployed and without steady income. In other words, most people are able to survive only from paycheck to paycheck. Many of those same people owe comparatively large sums of money to banks, mortgage companies, and credit card firms ($777.3 billion altogether in 1991, as compared to $350.3 billion in 1980). With little or nothing in the way of savings, such people are likely to descend rapidly into delinquency and ultimately bankruptcy if they should lose their jobs. In fact, many have plunged so deeply into debt that they are in danger of being forced into bankruptcy even while they are employed.

Who Is to Blame?

The choking level of indebtedness that faces the federal government (as well as state and local governments), the aggregate of Americans, and many individual Americans is a significant problem. Who is to blame for this situation? The main suspects are the individual, the government, business, and banks and other financial institutions.

The Individual

In a society that is inclined to "psychologize" all problems, we are likely to blame individuals for not saving enough, for spending too much, and for not putting sufficient pressure on officials to restrain government expenditures. We also tend to "medicalize" these problems, blaming them on conditions that are thought to exist within the individual. One clinical psychologist noted, "Just about everyone I treat who has an eating disorder—bulimia, bulimarexia or just plain overeating, or who has a drug problem—also has the spending disorder." Although there are elements of truth to psychologistic and medicalistic perspectives, there is also a strong element of what sociologists term "blaming the victim." That is, although individuals bear some of the responsibility for not saving, for accumulating mounting debt, and for permitting their elected officials to spend far more than the government takes in, in the main individuals have been victimized by a social and financial system that discourages saving and encourages indebtedness.

Why are we so inclined to psychologize and medicalize problems like indebtedness? For one thing, American culture strongly empha-
sizes individualism. We tend to trace both success and failure to individual efforts, not larger social conditions. For another, large social and financial systems expend a great deal of time, energy, and money seeking, often successfully, to convince us that they are not responsible for society’s problems. Individuals lack the ability and the resources to similarly “pass the buck.” Of perhaps greatest importance, however, is the fact that individual, especially medical, problems appear to be amenable to treatment and even seem curable. In contrast, large-scale social problems (pollution, for example) seem far more intractable. It is for these, as well as many other reasons, that American society has a strong tendency to blame individuals for social problems.

**The Government**

Where does the responsibility for high levels of indebtedness lie if individuals are not the main culprits? We can begin with the federal government, which is seemingly unable and certainly unwilling to restrain its own spending. As a result, it is forced to tax at a high level and thereby to drain funds from individuals that otherwise could be used to increase personal savings and to draw down debt. Since the federal debt binge began in 1981, the government has also been responsible for creating a climate in which financial imprudence seems acceptable. After all, the public is led to feel, if it is acceptable for the government to live beyond its means, why can’t individual citizens do the same? If the government can seemingly go on borrowing without facing the consequences of its debt, why can’t individuals?

If the federal government truly wanted to address society’s problems, it could clearly do far more both to encourage individual savings and to discourage individual debt. For example, the government could lower the taxes on income from savings accounts or even make such income tax-free. Or it could levy higher taxes on organizations and agencies that encourage individual indebtedness. The government could also do more to control and restrain the debt-creating and debt-increasing activities of the credit card industry.

**Business**

Although some of the blame for society’s debt and savings problem must be placed on the federal government, the bulk of the responsibility belongs with those organizations and agencies associated with our consumer society that do all they can to get people to spend not only all of their income but also to plunge into debt in as many ways, and as deeply, as possible. We can begin with American business.

Those in manufacturing, retailing, advertising, and marketing (among others) devote their working hours and a large portion of their energies to figuring out ways of getting people to buy things that they probably do not need and that many of them cannot afford. There is no need to reiterate here historic criticisms of these key elements of the capitalistic system, but it might be worth noting a few of the more recent developments. One example is the dramatic proliferation of seductive catalogs that are mailed to our homes. Another is the advent and remarkable growth in popularity of the television home shopping networks. What these two developments have in common is their ability to allow us to spend our money quickly and efficiently without ever leaving our homes. Because the credit card is the preferred way to pay for goods purchased through these outlets, catalogs and home shopping networks also help us increase our level of indebtedness.

**Banks and Other Financial Institutions**

The historical mission of banks was to encourage savings and discourage debt. Today, however, banks and other financial institutions lead us away from savings and in the direction of debt. Saving is discouraged by, most importantly, the low interest rates paid by banks. It seems foolish to people to put their money in the bank at an interest rate of, say, 2.5% and then to pay taxes on the interest, thereby lowering the real rate of return to 2% or even less. This practice seems especially asinine when the inflation rate is, for example, 3% or 4%.
Under such conditions, the saver's money is declining in value with each passing year. It seems obvious to most people that they are better off spending money before it has a chance to lose any more value.

While banks are discouraging savings, they are in various ways encouraging debt. One good example is the high level of competition among the banks (and other financial institutions) to offer home equity lines of credit to consumers. As the name suggests, such lines of credit allow people to borrow against the equity they have built up in their homes. If one owns a $200,000 home but owes the bank only $120,000 on the mortgage, then one has $80,000 of equity in the house. Banks eagerly lend people money against this equity. Leaving the equity in the house is a kind of savings that appreciates with the value of the real estate, but borrowing against it allows people to buy more goods and services. In the process, however, they acquire a large new debt. And the house itself could be lost if one is unable to pay either the original mortgage or the home equity loan.

The credit card is yet another invention of the banks and other financial institutions to get people to save less and spend more. In the past, only the relatively well-to-do were able to get credit, and getting credit was a very cumbersome process (involving letters of credit, for example). Credit cards democratized credit, making it possible for the masses to obtain at least a minimal amount. Credit cards are also far easier to use than predecessors like letters of credit. Credit cards may thus be seen as convenient mechanisms whereby banks and other financial institutions can lend large numbers of people what collectively amounts to an enormous amount of money.

Normally, no collateral is needed to apply for a credit card. The money advanced by the credit card firms can be seen as borrowing against future earnings. However, because there is no collateral in the conventional sense, the credit card companies usually feel free to charge usurious interest rates.

Credit cards certainly allow the people who hold them to spend more than they otherwise would. Many cardholders pay their bills in full each month, but a substantial majority are in perpetual debt to the credit card companies. When a credit limit on one card is reached, another card may be obtained. Some people even make monthly payments on one credit card by taking cash advances from another card. Others, overwhelmed by credit card debt, take out home equity lines of credit to pay it off. Then, with a clean slate, at least in the eyes of the credit card companies, such people are ready to begin charging again on their credit cards. Very soon many of them find themselves deeply in debt both to the bank that holds the home equity loan and to the credit card companies.

A representative of the credit card industry might say that no one forces people to take out home equity lines of credit or to obtain credit cards; people do so of their own volition and therefore are responsible for their financial predicament. Although this is certainly true at one level, at another level it is possible to view people as the victims of a financial (and economic) system that depends on them to go deeply into debt and itself grows wealthy as a result of that indebtedness. The newspapers, magazines, and broadcast media are full of advertisements offering various inducements to apply for a particular credit card or home equity loan rather than the ones offered by competitors. Many people are bombarded with mail offering all sorts of attractive benefits to those who sign up for yet another card or loan. More generally, one is made to feel foolish, even out of step, if one refuses to be an active part of the debtor society. Furthermore, it has become increasingly difficult to function in our society without a credit card. For example, people who do not have a record of credit card debt and payment find it difficult to get other kinds of credit, like home equity loans, car loans, or even mortgage loans.

An Indictment of the Financial System

The major blame for our society's lack of savings and our increasing indebtedness must be placed on the doorstep of large institutions. The financial system is responsible for making credit card debt so easy and attractive that many of us have become deeply and perpetually indebted to the credit card firms. In offering us credit cards and
other financial instruments, like home equity loans, the banks and other financial institutions appear to be offering us the keys to freedom. Credit cards seem to be the means of wealth, happiness, and liberation from our otherwise humdrum lives. However, for many, credit cards become instruments of bondage locking people into a lifetime of indebtedness. More generally, credit cards play a major role in helping people become more firmly embedded in the consumer society. Finally, people are locked into a lifetime of work, frequently in unsatisfying occupations, just so they can be active consumers and perhaps so they can make more than the minimum monthly payments on their credit card bills.

Case in Point: Getting Them Hooked While They're Young

Before moving on to a more specific discussion of the sociological perspective on the problems associated with credit cards, one more example of the way the credit card industry has created problems for people would be useful: the increasing effort by credit card firms to lure students into possessing their own credit cards. The over 9 million college students (of which 5.6 million are in school on a full-time basis) represent a huge and lucrative market for credit card companies. According to one estimate, about 82% of full-time college students now have credit cards. The number of undergraduates with credit cards increased by 37% between 1988 and 1990. The credit card companies have been aggressively targeting this population not only because of the immediate increase in business it offers but also because of the long-term income possibilities as the students move on to full-time jobs after graduation. To recruit college students, credit card firms are advertising heavily on campus, using on-campus booths to make their case and even hiring students to lure their peers into the credit card world. In addition, students have been offered a variety of inducements. I have in front of me a flyer aimed at a college-age audience. It proclaims that the cards have no annual fee, offer a comparatively low interest rate, and offer "special student benefits," including a 20% discount at retailers like MusicLand and Gold's Gym and a 5% discount on travel.

The credit card firms claim that the cards help teach students to be responsible with money. The critics claim that the cards teach students to spend, often beyond their means, instead of saving:

I've seen kids with $50,000 to $70,000 in debt. They spend money on clothes, pizza, tuition, books, fun travel, presents for girlfriends, shoes, watches, engagement presents, proms, formals. Kids just go haywire.

Some students are even using credit cards to pay their tuition. According to an expert on credit cards, "We are taking the opportunity away from them to start on a healthy foot, to be able to take care of themselves." Years after they have graduated, college students may end up paying off credit card debts run up in college. Some universities have grown uncomfortable about these problems and more generally with the incursion of credit card companies and have greatly restricted the marketing of credit cards on campus.

Some students find that they cannot pay their bills while they are still in college. Although parents are not legally liable for such bills, it is not unusual for parents to pay them. The credit card firms are willing to target college (and high school) students, most of whom have little or no income of their own, because they know that parents will often bail out children who get into trouble with credit card debt.

In running up credit card debt, it can be argued, college students are learning to live a lie. They are living at a level that they cannot afford at the time or perhaps even in the future. They may establish a pattern of consistently living beyond their means. However, they are merely postponing the day when they have to pay their debts.

The credit card companies have clearly been affected by the critics. Inside one brochure aimed at students is a so-called "Owner's Guide to a Chase Credit Card." Three guidelines are offered:

1. If you want to play, you've got to pay.
2. If you cannot pay your entire balance, pay at least the minimum due.

3. If you cannot pay the minimum, do not play.

The guide closes with a "bottom line": "To avoid a bad credit history, you must pay the minimum payment each month." Thus, the credit card companies are trying to inform students of the potential dangers. However, they are doing so in the context of an extremely active advertising campaign aimed at a dramatic expansion of the use of such cards among college students.

Not satisfied with the invasion of college campuses, credit card companies have been devoting increasing attention to high schools. One survey found that as of 1993, 32% of the country's high school students had their own credit cards and others had access to an adult's card. Strong efforts are underway to greatly increase that percentage. The president of a marketing firm noted, "It used to be that college was the big free-for-all for new customers.... But now, the big push is to get them between 16 and 18." Although adult approval is required for a person under 18 years of age to obtain a credit card, card companies have been pushing more aggressively to gain greater acceptance in this age group.

Their efforts have included annual supplements sponsored by the Discover card in magazines published by Scholastic Inc. and aimed at high school students. One supplement was titled "Extra Credit," and on the back page was an advertisement depicting a classroom, a Discover card, and this headline: "Go Ahead, We're Behind You." Similarly, Visa has developed financial education programs for the high schools that do not identify Visa as the sponsor and, at least according to the company, have the broad objective of teaching students about personal finance. To many observers, the problems with these programs is that the schools may be ceding the responsibility for teaching financial management to organizations that have a vested interest, at least to some degree, in encouraging financial mismanagement. A spokesperson for the National Association of Secondary School Principals admitted the need for such school-sponsored programs but contended that "we have to balance all needs against how many minutes there are in the day." If the schools do not have time to prepare programs in financial management, the credit card companies are all too willing to fill the void. However, the credit card firms are not simply trying to help out the schools; their goal is also to increase their business. As one spokesperson for a consumer advocacy group said, "[Students] need to know that credit card companies are not doing them a favor but are in the business to make money off them." The motivation behind all these programs is the industry view that about two-thirds of all people remain loyal to their first brand of card for 15 or more years. Thus the credit card companies are trying to get high school and college students accustomed to using their card instead of a competitor's. The larger fear is that the credit card companies are getting young people accustomed to buying on credit, thereby creating a whole new generation of debtors.

A Sociology of Credit Cards

Sociology in general, and sociological theory in particular, offers a number of ways of dealing with the credit card industry and the individuals affected by it. Throughout much of the 20th century, sociological theory has been divided between macro theories (such as structural functionalism and conflict theory) that would be most useful in analyzing the credit card industry itself and micro theories (such as symbolic interactionism and phenomenological sociology) that would be most helpful in analyzing individuals within our consumer society. However, sociological theory has generally been plagued by an inability to deal in a fully adequate manner with micro-macro relationships, such as the relationships between the credit card industry and individuals. Sociologists have grown increasingly dissatisfied with having to choose between large-scale, macroscopic theories and small-scale, microscopic theories. Thus, there has been a growing interest in theories that integrate micro and macro concerns. In Europe, expanding interest in what is known there as agency-
structure integration parallels the increasing American preoccupation with micro-macro integration.\textsuperscript{17}

\textbf{Mills: Personal Troubles, Public Issues}

This new theoretical approach has important implications for the study of sociological issues. Micro-macro integration leads the sociological study of social problems back to one of its roots in the work of the American social critic and theorist C. Wright Mills (1916–1962).\textsuperscript{17}

Of importance here is the now-famous distinction made by Mills in his 1959 work, \textit{The Sociological Imagination}, between micro-level personal troubles and macro-level public issues.\textsuperscript{18} Personal troubles tend to be problems that affect an individual and those immediately around him or her. For example, a father who commits incest with his daughter is creating personal troubles for the daughter, other members of the family, and perhaps himself. However, that single father's actions are not going to create a public issue; that is, they are not likely to lead to a public outcry that society ought to abandon the family as a social institution. Public issues, in comparison, tend to be problems that affect large numbers of people and perhaps society as a whole. The disintegration of the nuclear family would be such a public issue.

What, then, is the relationship between these two sets of distinctions—personal troubles/public issues and character/social structure—derived from the work of C. Wright Mills? The character of an individual can certainly cause personal troubles. For example, a psychotic individual can cause problems for himself and those immediately around him. When many individuals have the same character disorder (psychosis, for example), they can cause problems for the larger social structure (overtax the mental health system), thereby creating a public issue. The structure of society can also cause personal troubles for the individual. An example might be a person's depression resulting from the disjunction between the culturally instilled desire for economic success and the scarcity of well-paying jobs. And the structure of society can create public issues, as exemplified by the tendency of the capitalist economy to generate periodic recessions and depressions. All these connections and, more generally, a wide array of macro-micro relationships are possible.\textsuperscript{19}

However, [our] focus... is the credit card industry as an element of social structure and the way it generates both personal troubles and public issues.

A useful parallel can be drawn between the credit card and cigarette industries. The practices of the cigarette industry create a variety of personal troubles, especially illness and early death. Furthermore, those practices have created a number of public issues (the cost to society of death and illness traceable to cigarette smoke), and thus many people have come to see cigarette industry practices themselves as public issues. Examples of industry practices that have become public issues are the aggressive marketing of cigarettes overseas, where restrictions on such marketing are limited or nonexistent, as well as the marketing of cigarettes to young people in this country (for example, through advertisements featuring the controversial “Joe Camel”). Similarly, the practices of the credit card industry help to create personal problems (such as indebtedness) and public issues (such as the relatively low national savings rate). Furthermore, some industry practices—such as the aggressive marketing of credit cards to teenagers—have themselves become public issues.

\textbf{Globalization and Americanization}

A sociology of credit cards requires a look at the relationship among the credit card industry, personal troubles, and public issues on a global scale. It is not just the United States, but also much of the rest of the world, that is being affected by the credit card industry and the social problems it helps create. To some degree, this development is a result of globalization, a process that is at least partially autonomous of any single nation and that involves the reciprocal impact of many
In the main, however, American credit card companies dominate the global market. In many countries around the world, Americanization is a public issue that is causing personal troubles for their citizens.

**Micro-Macro Relationships**

Although the macro-level credit card industry creates a variety of public issues and personal troubles, it is important to realize that people, at the micro level, create and re-create that industry by their actions. Not only did people create the industry historically, but they help re-create it daily by acting in accord with its demands and expectations. However, people also have the capacity to refuse to conform to the demands of the credit card industry. If they were to do so on a reasonably large scale, the industry would be forced to alter the way it operates. People can also be more proactive in their efforts to change the credit card industry.

However, there are limits to what individuals, even when acting in concert, can do about macro-level problems. In many cases, macro-level problems require macro-level solutions. The credit card industry, as well as the government, can deal with the public issues and personal troubles caused by credit cards.

**Endnotes**

Questions

1. What does Ritzer mean when he says that credit cards are an American icon?

2. What are some advantages and disadvantages of credit cards for consumers?

3. What is meant by private troubles and public issues? Explain how credit cards qualify as both a private trouble and a public issue.

4. What is “blaming the victim”? Explain how and why this concept is used by many Americans to explain individual indebtedness.

5. Examine a credit-card application (you probably receive several each month). Is there a yearly fee for the card? What is the interest rate for an unpaid balance? How much credit is the company willing to give you? Is Ritzer right about how easily students can be trapped into debt by using credit cards?