

The Other Side of Plastic Money

By Ato Ekusa

A growing number of young Japanese are declaring personal bankruptcy after overusing their credit cards. The number of credit cards in Japan is mushrooming and has already passed 160 million.

According to a survey of the Kanto and Kansai regions (the two major Japanese metropolitan areas centered around Tokyo and Osaka, respectively) conducted by Nippon Shinpan Co. Ltd., the largest consumer card service company in Japan, one out of two university students and young salaried workers has a credit card, and of these, almost half have more than one.

It is estimated that the number of credit cards is now rising by 20 million each year. The most important reason for this is technical innovation in the expanding computer network. Today's huge calculations simply cannot be done with an abacus, however quickly one's fingers may move the beads. It is precisely because of a computer's ability to make rapid calculations that the number of credit cards in use can grow so quickly.

Data communication lines now link computers with each other, another reason for the increase in the use of credit cards. Now that computers at credit card companies, banks, airlines and insurance companies are linked by data communication lines, when you use your card to purchase an airplane ticket you can automatically pick up insurance – and have the entire payment deducted directly from your bank account.

The increase in the popularity of credit cards is a result of our advanced information society and its network of computers talking with other computers across data communication lines. There are many sensible people who disapprove of credit cards, but it is an unfortunate fact of life that whatever is convenient inevitably becomes popular.

With the increase in credit card use, more and more people are finding that they are unable to pay for what they have



The number of credit cards in use in Japan is rising by 20 million a year, and a growing number of young people are having problems coping with the debts they run up.

bought on credit. The number of people running to consumer credit companies to borrow money is on the rise. In April and November 1990, the National Consumer Credit Problem Council ran an emergency "Credit and Loan Shark" telephone counseling service. It received 1,952 calls for assistance. Eighty percent of the calls were from people who had relied on consumer credit, and one-third of these were desperate and unable to pay back the money.

Americans are often described as living on credit, while Japanese are said to be diligent workers and good savers. Still, at the end of fiscal 1989, the Japanese personal loan rate was the highest in the world. According to the Economic Planning Agency's fiscal 1989 year-end survey, outstanding Japanese consumer debt had reached ¥52.9 trillion, and per-capita consumer debt outstanding, as a percentage of total disposable income, had climbed to 20.1% (excluding housing loans). This was the first time the Japanese rate had exceeded that in the United States, which was 19.2% at the time.

Outstanding consumer debt has since ballooned even further, and is now estimated at ¥60 trillion, almost on a par with Japan's fiscal 1990 general account budget of ¥66 trillion. Evidently, the personal loan rate has also risen, with the result that there is an increasing number of young people who buy on credit, spend

beyond their savings and are unable to repay their loans, finally declaring personal bankruptcy. According to credit industry source estimates, during fiscal 1990 more than 12,300 personal bankruptcy applications were made to Japanese courts, an increase of approximately 20% over the 10,300 cases in the previous year.

The Japan Credit Counseling Association received 2,929 inquiries in fiscal 1990, up 48% from the 1,978 received in 1989. The same trend was seen in the United States about 20 years ago. Young Japanese are evidently emulating American consumer habits. The Ministry of Education is examining the problem. Starting with the academic year that begins in April, it intends to introduce consumer economics courses, first at elementary schools, then at junior high schools, and finally at the senior high school level.

"Salesmanship," or the pursuit of profit, is an ever-present force in the business world. But this commercial spirit makes credit card holders even out of those for whom it would be better not to have one. People must be taught how to take financial responsibility for themselves if they are to withstand this form of excessive salesmanship.

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