

LIVING ON THE CUFF

(Continued)



The younger generation has been schooled in credit buying, too. One of them wanted to run up a candy-store tab!

standing at the local candy store.

Then there was the man in an Eastern state who gave his wife a Diners' Club card as a gift. After the first bill arrived, he called Diners' headquarters and desperately demanded that his wife be told she could no longer use the card.

"Why don't you tell her?" he was asked.

"Not me!" he said emphatically. "You tell her—and quick, because I'm not going to pay any more of her bills."

The card was lifted; what happened to the marriage is not known at GHQ.

NOT ALL the participating establishments are overjoyed with the way comprehensive credit cards operate. Some restaurant operators have been getting increasingly crotchety about the arrangement, complaining that the commission they have to pay to the credit card people absorbs too much of their profits.

Credit card officials dismiss this argument by pointing to the fact that one of their major problems is trying to decide which establishments to accept from among the hundreds that would like to participate.

"In almost every instance," a Diners' Club sales official told me, "credit cards have boomed the business of member restaurants. The commissions they pay provide them with hundreds of thousands of potential customers with credit established at their restaurants, takes them off the hook of assuming credit risk, and gives them advertising space in each credit card directory—which also carries with it a strong recommendation for the restaurants included. All of this adds up to more business for all concerned."

More business, of course, depends on more credit card carriers—and the ranks of all clubs are growing apace.

How do you qualify for a comprehensive credit card? It's no more difficult than getting a gasoline or a department-store credit card. The main requirement is simply a good credit rating in your home town. Less than 10 percent of the applicants for comprehensive cards are rejected. One failure to pay, however, will knock down your credit rating very quickly. Bad-debt losses are remarkably low, running between $\frac{1}{4}$ and $\frac{1}{2}$ of 1 percent, even though credit checks are rather perfunctory in most cases.

There are four especially noteworthy advantages to the holder of a comprehensive credit card:

Convenience. Members can travel all over the world without having to carry large sums of money or worry about getting checks cashed at every stop.

Bookkeeping. The monthly itemized bill from the credit card company can serve as

an individual accounting record, thus expediting income-tax problems considerably.

Guide. The credit card directories act as a guide to eating places and hostelrys in cities the traveler is unfamiliar with.

Credit Identification. The card carrier is usually accepted as a desirable customer and responsible individual wherever he may be seeking help.

At present, all these advantages are available to the member in return for just the payment of a yearly membership fee—\$5 for the Diners' Club and \$6 for Amex and Carte Blanche. There is no other charge.

What about disadvantages? They could probably be wrapped up in a single statistic: credit organizations estimate that people traveling on credit rather than cash tend to spend from 20 to 35 percent more than they would otherwise. Whether or not this is a disadvantage depends on the point of view. To proprietors, it means more, bigger, and better business. To the individual, it may mean that he is overextending himself—or at least spending more than he would if he were paying cash on the spot.

"People aren't going overboard because they have credit cards," a Diners' Club official assured me. "If they were, it would show up in our bad-debt losses and our turnover of members. And that just isn't happening."

THE BURGEONING BUSINESS of on-the-cuff buying is by no means limited to the Big Three. The airlines of America are now considering the granddaddy of all credit card plans: a joint operation which would permit some 87,000 members of the Universal Air Travel Plan (including more than a million individual credit cards) to use their air-travel cards for:

- the purchase of tours, excursions, package vacations, and other packaged air-travel plans;
- charging bills at hotels, motels, restaurants, and night clubs;
- car rentals and air-freight charges;
- as credit identification for check-cashing privileges in any airline office.

The airlines contemplate waiving the commissions from companies extending credit through the air-travel cards (although the participants will be expected to do their own billing, unlike the Big Three). The \$425 deposit required from all air-travel card holders—refundable when the account is dropped—would be continued under the new plan.

Yet another powerful entry in the credit card derby is appearing in the staid offices of the banks of America. Known as "check-credit," the system was started in 1955 at the First National Bank of Boston and has now

spread to about 70 banks scattered throughout the nation. Banks are notoriously conservative in embracing new ideas; indications are that now that the plan has proved itself, it will grow further and faster.

Basically, the check-credit plan permits an individual depositor to apply for credit up to a certain top limit which the bank will specify, depending on the financial ability of the borrower. A book of coded checks is then issued, and the borrower can write checks (at 25 cents per check) against his credit limit at the bank. The balance is adjusted monthly, and he pays the money back on the installment plan at the rate of 1 percent per month. He can pay it off faster, without penalty, if he chooses. Experience in Boston has shown that the average borrower keeps about two-thirds of his available credit in use all the time, and writes nine checks a year, averaging around \$60 each.

Borrowing-by-check is in addition to bank credit cards, which have been in existence in numerous banks for many years. Under this system, the bank makes arrangements with a group of local stores to honor credit cards issued to bank customers—up to a certain top credit figure. The stores deposit these accounts receivable at the bank which, in turn, bills its card holders for the total of their purchases at the end of each month.

Where is it all going to lead? Government figures show that about 40 percent of all retail and restaurant trade is now done on a credit basis, as contrasted with 25 percent just 10 years ago.

Ralph Schneider of Diners' Club sums up the future this way: "According to present estimates, there are between three and five million people in the United States alone who, because of their over-all incomes and habits, are potential members for a comprehensive single-billing credit organization. And the population is continuously growing."

Amex president Ralph Reed puts it a little more poetically. "Eventually," he says, "it is our hope to liberate the American wallet of its multiplicity of credit cards and to substitute a single, all-inclusive card with simplified central billing."

The American public appears ready to be liberated of its bulging wallet. In 1959, Americans will spend an estimated 10 percent more on travel than they did last year. This is part of a growing trend in American life, made possible by higher wages, longer vacations, shorter working hours, and earlier retirement. The credit card has established itself firmly in this new framework of living, and shows every indication of moving ahead in step with the growing leisure time and penchant for travel of the American citizen.