

Household Use of Open-End Credit to Finance Risk

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Abstract

The use of open-end consumer credit to finance risk is becoming increasingly popular, but has long been overlooked in the literature on household risk management. This paper derives explicit conditions under which credit financing is superior to insurance policies, product service plans, and self-insurance as a means of financing risk. Implications for consumers, manufacturers, insurers, creditors, and public policymakers are discussed.

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