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Credit Card Use and Abuse: A Veblenian Analysis

Robert H. Scott, III

There is an overwhelming amount of consumer credit card debt in the United States. Revolving credit card debt is close to $900 billion, and has increased at an average annual rate of almost nine percent over the past ten years. The average United States household has eight credit cards, which are used to charge nearly $2 trillion in goods and services annually. This became possible when an institutional failure led to reduced regulations on credit card lending. Consumers, for their part, have borrowed heavily using credit cards. Frequently, consumers use credit cards inappropriately and spend beyond their means accumulating inessentials that they cannot reasonably afford. Neoclassical economic theory is ineffective at explaining why credit card borrowing continues to reach record levels; and, more importantly, it fails to recognize that credit card debt is a problem requiring attention from regulatory agencies. Thorstein Veblen's social institutional theory of consumption better explains why credit cards continue to grow in popularity and why revolving credit card debt will keep rising unless different policy perspectives and lending practices are adopted.

The Emergence of Credit Card Debt

Credit cards were invented in post-industrial revolution America just before World

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