Mo' Debtor Blues

This scholar says Americans have grown too blasé about debt. The fix: Bring back that old-time sense of shame. BY GEORGE MANNES

YOU COULD SAY ROBERT MANNING owes his livelihood to, well, owing. As a professor of consumer financial services at Rochester Institute of Technology, he studies the nation's attitudes toward saving and borrowing. His recent research into changing debt patterns picks up where his book *Credit Card Nation* left off, arguing that debt levels are reaching crisis proportions.

Q How bad a problem is consumer debt, exactly?

A Over the past 15 years, the traditional life-cycle trajectory has changed dramatically. It used to be that you'd start off with debt and, in the peak earning years, pay it off and focus on investing for retirement. Today consumer debt is growing three times faster than net wealth accumulation. There's a disconnect between people's understanding of their income and what they can actually afford.

Q Why the shift?

A The marketing of the instant-gratification lifestyle, the sharp increase in easy credit and the decline in education about consumer finance all contributed to it. Years ago, if you needed a loan you'd go to family first, and you'd expect to be interrogated about why you needed the money. But now it's easier to turn to the financial services industry to satisfy your borrowing desires. Nobody gets turned down for a loan or an unsecured credit card anymore. Lenders are less concerned about a borrower's ability to repay because loans are often resold and the risk is assumed by an institutional investor—a mutual fund, pension plan or insurance company. Plus, you're not shamed for misusing money, unless you go into bankruptcy.

Q What are the warning signs of overspending?

A That you're not putting all you can into your retirement savings. Or that you have debts with double-digit interest rates. Or if more than a quarter of your debt is for desires, not needs—say, a car loan that's not to fulfill basic transportation needs but to buy your dream wheels.

Q How can we reverse the cycle we're in?

A Part of it is raising consciousness that there is a reward for saving—that the $4,000 you're not putting in your 401(k) could be worth 10 times that in 30 years. And while banks need to become more responsible in terms of underwriting criteria, we've also got to get consumers to take a step back and say, "Just because the bank will give us a loan doesn't mean we can afford it." $

> GIVE HIM CREDIT Savings guru Manning with a toy bank from the 1940s—back when Americans still saved.

...**Hmm:** Parents who think the cost of college is worth it, no matter what job their kid ends up with: 49%. Students who agree: 32%...

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