Credit or debit?

The influence of plastic cards on consumer culture

Plastic cards have become the currency of choice of postmodern consumer society. Cards that allow the seller to debit your purchase directly from your bank account, or cards that give you a certain amount of credit to spend as you please, to be repaid or owed with interest; cards are more than just a method of payment, they have become a symbol of Western consumer culture. In this essay, I will first briefly outline the history of banking and money management which plastic card technology was born into, in order to discuss the influence of this technology on the consumption culture of modern society, and what the power of this symbol entails.

Plastic cards are the obvious expression of the radical technological change that has swept through the world of banking since the 1950s. Before then, banks had changed little in their function since the founding of the Bank of Amsterdam in 1609, the first bank to not only guarantee the value of the coins minted, but also offer its customers a credit in its books called bank money which, as it was secure from fire, robbery and other accidents and always represented value according to the mint, was intrinsically superior to current money Chown 1996: 130). The bank made its profit by charging every customer (mostly merchants) for their account and each transaction they made. In general, bank customers paid to avoid having to count, recount and handle large sums of money themselves in any of the many transactions that they might make. With the explosion of urban population with the industrial revolution from around 1850 and onwards, more and more people found need of the services of a bank, as they no longer had their fortune invested in land or livestock, but rather in weekly or monthly paychecks. Savings banks were created to cover the needs of the growing middle classes and eventually the working classes, replacing the informal savings clubs, moneylenders and pawn shops (cf. Johnson 1985). During the same period of time, most of countries converted their currency to paper money that no longer could be converted into the silver or gold content it originally was meant to represent, thus breaking the subtle mental connection between the value of money and what that value originally represented. As the authority of the nation state grew, so did the authority of the value printed on its money (cf. Chown 1996: 201-205, 263-271).[1] By the 1950s, these trends were running their full course in the Western world with millions of accounts and hundreds of thousands employed to keep the books (Frazer 1985: 203-206). The fierce competition of the banking market drove the banks to use computing technology to effectivise their accounting, allowing for even greater customer bases, automated sorting and updating of accounts (Ibid. 5-10). After the computerisation of back office operations, banks worked up through the 1970s to computerise front office operations as well, introducing Automated Teller Machines

1 There are, of course, numerous exceptions to this pattern. Through the 20th century, several countries have suffered from hyperinflation which has left national economies in ruins and with very little faith in the currency. The most famous case is that of Germany between 1922 and 1924, but Russia and Hungary also suffered the same fate in the interwar years. A currency with no authority is hardly a currency at all.

(ATMs) to liberate customers from the normal place and opening hours of their bank, allowing for greater convenience and effiency in the dispensing of cash. The customers were issued plastic debit cards that identified the holder as having an account with the bank, and the magnetic strip on the back allowed for interaction with the ATMs, giving the the customer access to their account and their money at any time, and, with the rise of EFTPOS (the rather tortuous acronym for Electronic Funds Transfer at the Point Of Sale) through the 1980s and 1980s, almost any place, making it possible to pay directly with your plastic card, basically substituting the until then frequently used cheques (Ibid.: 51-55, 63-66).
This development were driven to a great extent by the rise of plastic credit cards, which had been introduced in 1966 by the Bank of America whose BankAmericard (later to be known as the Visa card) offered the holder a general bank credit. This move quickly led to fierce competition, and credit cards became a new way for banks to compete for customers, offering better credit at lower rate of interest. Some American banks went as far as to simply mail cards to thousands of potential customers (Stein 2004). A line of credit was no longer something to be haggled over with your bank advisor, but something that banks and the new credit card companies freely offered as a product. A service that through the 1980s and 1990s became accepted and used all over the world. The credit card was an entirely new idea in value exchange: When a credit card company issues a new card with a $1.000 limit, it is basically creating a potential $1.000 to be spent as the card holder pleases (Ritzer 1995:24). In this way, with each new credit card issued, there is more money, albeit only “bank money” in circulation, thus increasing the amount available to be spent, but also creating greater risk of inflation.
Yet these were the least of the concerns among new card users, who at first were reluctant to trust machines and plastic cards as money, but they quickly adapted to the ATMs , plastic cards and whole new concept of credit, to a degree where these technologies now can be considered household objects.
Today, there are more than 1.3 billion credit cards in circulation in the USA, much, much more than any other country. Great Britain in second place has a market with 59 million credit cards and 60 million debit cards. In Europe, debit cards with relatively high capacity for overdraft are much more popular than credit cards. But in all cases, plastic cards are the tremendously popular everyday symbol of the expansive, international technological system of electronic banking, that, with internet shopping and home banking has extended the buying power of a single individual both into her very home and to the farthest reaches of the planet.

The plastic card has liberated everyday consumption to a degree unimaginable just 30 years ago. Today, with a modern credit card you have access to almost anything you could possibly wish to buy. Any shop, any item, any price, anywhere in the world, you can buy it and take it away with you with a simple swipe of the card and a signature. Using credit or overdraft, feared and avoided by earlier generations, has become the acceptable norm in modern consumer culture, especially among young people who, having grown up in a period of a high conjecture economy, do not share their parents' fear of debts. Since you can have it straight away, why shouldn't you?

Most consumers find it difficult to argue with that sort of rationale, creating the idea of *impulse shopping*. Today, most credit card companies even actively invite people to spend their credit and not pay their debt immediately, as the companies make their money from the penalties, interests and fees that they can incur on the holder for debts and late payments (cf. McGeehan 2004).
Using plastic cards is instantaneously easy and habitual – why would you bother with notes and coins when a plastic card is all you need? Shops actively encourage the use of plastic cards as well, most of them paying any fees the banks might incur for using the point of sale, knowing that they avoid the physical counting and handling of cash and that people tend to spend more with the plastic cards.
In this way, plastic cards are the final abstraction of capital that began with the "bank money" of the Bank of Amsterdam, and on to the inconvertible paper money of the late 19th century. Money is no longer bound to any natural substance such as gold or silver, either through the weight and substance of the currency itself, or through a gold standard guaranteed by a bank, just an abstract quality of buying power. The plastic card is a symbol of the freedom and power that capital can give, yet through repetitive use, it is easy for the consumer to lose that subtle mental connection between the "gold standard" of their bank account or the paycheck that's going to cover their expenses and the plastic card in their hand – which they use in the same way whether they're buying a packet of cigarettes or a luxury cruise.
An average american can walk in off the street and open credit card accounts for tens of thousands of dollars' worth in an afternoon. With this new world of wealth, all the sudden, people can afford the luxury earlier reserved for the wealthy. The 1980s and 1990s has seen an increase in luxury spending four times as great as that of general goods. American consumption of luxury goods such as travels, cosmetic surgery, wine, cigars, cars, watches and clothes have all increased immensely since 1980 (Frank 1999:14-32), while personal debts have more than doubled from $350.3 billion in 1980 to $777.3 billion in 1991 (Ritzer 1995: 7), and American personal net savings as a percentage of net national income has fallen from 9.1 in the 1970s to 2.5 in the 1990s (Frank 1999:96-97). Millions of Americans, and Europeans to a lesser extent, are developing debts through the use of plastic cards, not only increasing their consumption but also the amount of work they will have to do in order to pay off the debts of money already spent, thus ironically binding people to their jobs in the long term through the immediate liberty of their purchases. Indeed, as the amount of credit used and created continues to increase, the Western economies to greater degree dependent on these new all-time high levels of consumption. Several observers have speculated that American levels of consumption are now so high, that should the spending through credit stop, the whole American economy might falter (Ritzer 1995: 5-6). This was all but confirmed in the wake of 11th of September 2001, when president Bush rather heartlessly urged the nation to keep up consumption levels despite the tragedy in order to keep the economy going through the crisis.

In their short history, plastic cards have reduced the distance between the desire for something and the actual purchase considerably. What began as rationalizing move for banks to cut costs has instead turned into a profitable business, not just for the banks offering the lure of money for easy spending (with heavy interest), but also for retail shops in general, who find their customers with more money and greater will to spend it. Plastic cards have become the ultimate abstraction of wealth, symbolising all the possibilities of immediate unlimited buying power, making everybody potentially rich, but leaving most poor.

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