

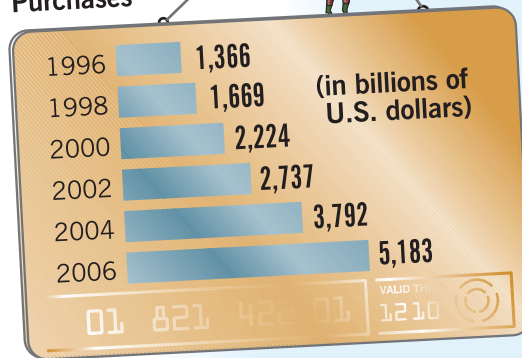
The Plastic Revolution

As the rich world knows all too well, credit cards are as dangerous as they are convenient. With millions of consumers from China to Mexico filling their wallets with plastic, the risks are mounting as fast as people can say, “Charge it!” | **By Ronald J. Mann**

Charging Forward

In just 10 years, global spending on credit and debit cards has nearly quadrupled, to \$5.2 trillion, or nearly 11 percent of global GDP in 2006. Americans were responsible for more than 40 percent of that spending. And with growing middle classes in India and China, the future of commerce looks increasingly plastic.

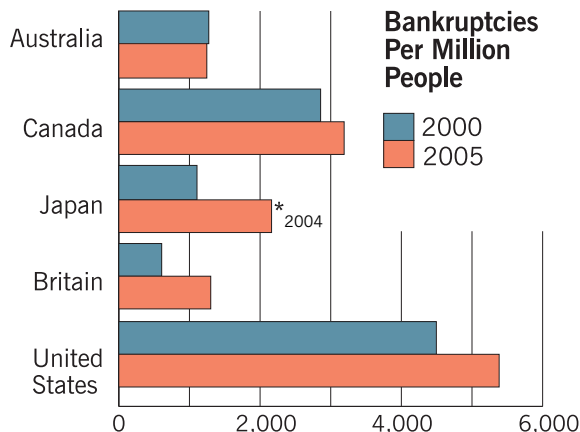
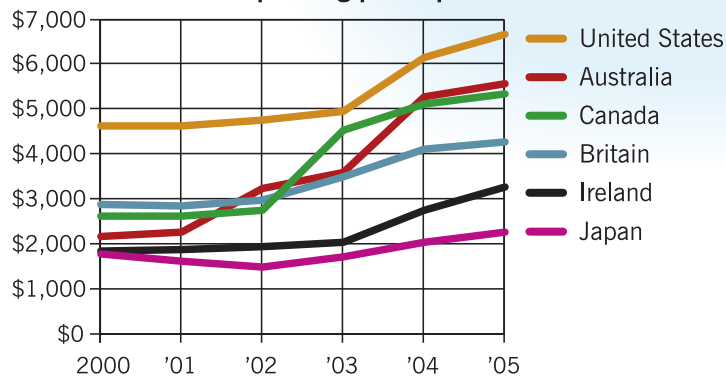
Global Electronic Purchases



Maxed Out

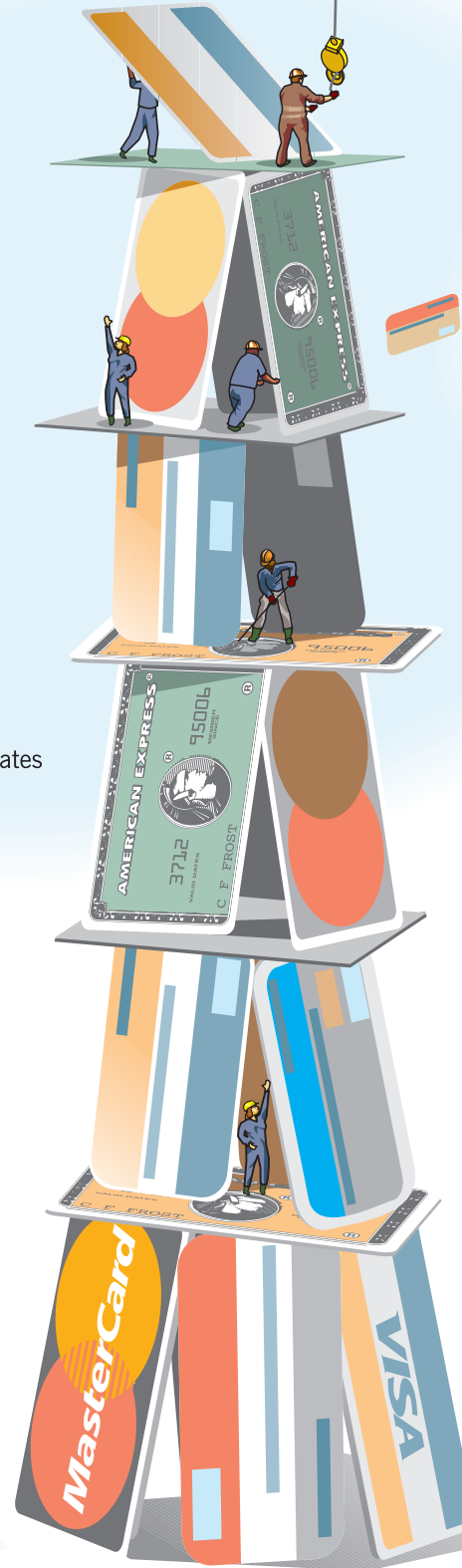
Plopping down a credit card has never been easier—or more popular—in the world’s most advanced economies. With an average of five credit cards per person, the United States buys more on credit than any other country, an average of \$6,700 per person in 2005. In other countries, such as Britain and Ireland, debit remains the plastic of preference.

Credit Card Spending per Capita



Shop 'til You Drop

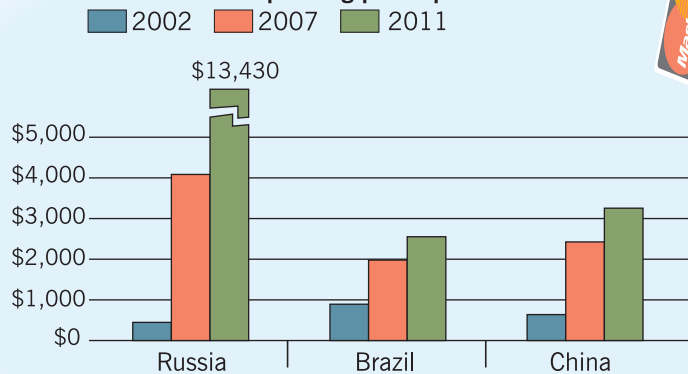
The convenience of credit makes it easy for consumers to spend beyond their means. As debts pile up, more and more people are charging into bankruptcy.



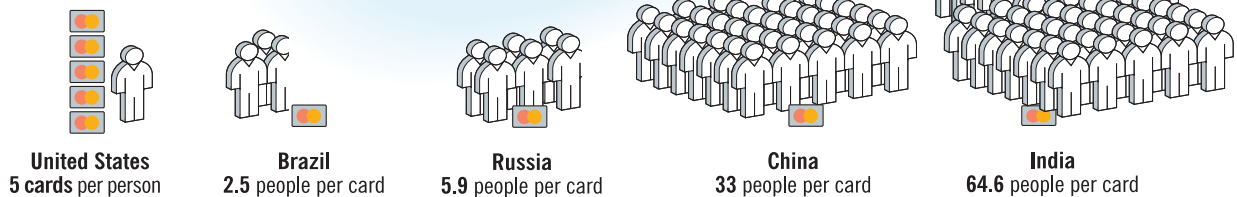
Getting Carded

Although credit cards have yet to fully catch on in some of the world's fastest-growing economies, that doesn't mean consumers there haven't embraced plastic. Debit and prepaid cards are increasingly the rage. The average Chinese consumer is expected to swipe his way to \$3,200 a year in spending by 2011, up from just \$625 in 2002.

Financial Card Spending per Capita

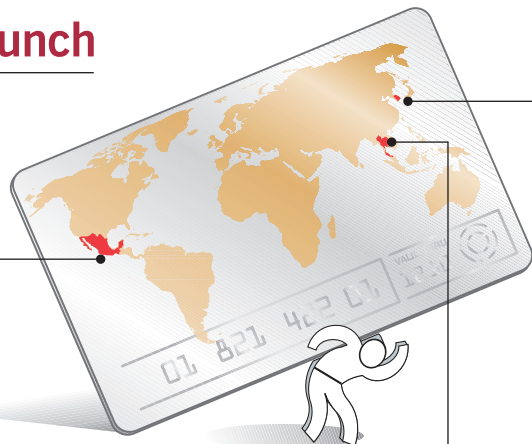


How credit card holders compare:



The Credit Crunch

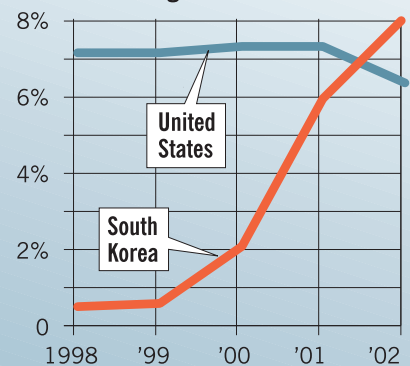
Developing countries looking to expand their credit sector might want to go easy: Too much, too fast can sink a national economy.



South Korea:

In the late 1990s, South Korea's government, hoping to stimulate consumer spending, encouraged its inexperienced banks to expand credit card lending. The result: a massive expansion of debt that required a multibillion-dollar bailout.

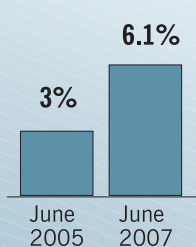
Credit Card Debt as a Percentage of GDP



Mexico:

Mexico's consumers are swiftly slipping into the red. A surge of credit card spending—up fourfold from 2001—has led to a doubling in defaults since 2005. And the worst may be on the way: Mexican banks are handing out 6,600 new credit cards each day.

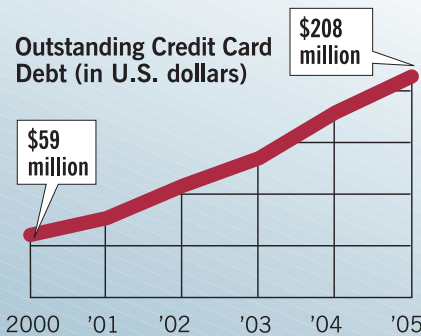
Credit Card Defaults



Thailand:

After credit card debt more than tripled between 2000 and 2005, the Thai government was forced to impose minimum salary requirements, cap credit lines at five months' salary, and require 10 percent minimum payments.

Outstanding Credit Card Debt (in U.S. dollars)



Ronald J. Mann is professor of law at Columbia Law School and author of *Charging Ahead: The Growth and Regulation of Payment Card Markets* (New York: Cambridge University Press, 2006).