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# Drawing Interest Better Than Paying

IT'S amazing how many strangers want to lend us money. Last week a letter from a bank in Sioux Falls, South Dakota, offered me a credit card with a "pre-approved credit line" of $2,000.

The week before another credit firm offered me a card with a notation that the fee could be charged to VISA or Mastercard. Department stores and others sometimes mail plastic cards to open charge accounts we didn't request.

Probably these unsolicited loans (and that is what interest-bearing charge accounts amount to) are based upon the theory that most people will pay what they owe. If this percentage is high enough, profits on their accounts will offset losses incurred by those who may be unable or unwilling to pay their debts.

All of our life we have found it easier to borrow money than to repay it. In direct contacts that might be because of an assumption we have an honest-looking face, but we can't help wondering how our name is analyzed on mailing lists of thousands of other names.

A national market research firm made a survey about a year and a half ago to determine consumer attitudes on spending and debts.

They didn't ask us but we agreed with the 82 percent who concurred with the questionnaire statement that "there is nothing worse than being in debt." Apparently the survey didn't include Washington, perhaps because Congress makes its own tabulation every time it votes on taxes, appropriations and the national debt ceiling.

Except for a relatively small proportion of young people who inherit substantial resources, nearly everybody has to go into debt at first to buy a car, a house or a business. However, our system makes it too easy to go into debt and stay in debt.

Whatever the reason for borrowing, the cost of renting money reduces the buying power of what statisticians call "disposable income." People have less money left after paying interest and taxes.

Postwar inflation and incomes beyond prior experience may have been major factors in breaking down traditional attitudes toward indebtedness. Many people reasoned: "What's the difference how much anything costs if we can meet the monthly installments?"

The difference is the buying power left after meeting the installments plus finance charges. That may be 10 to 20 percent less purchasing power than if buying with cash.

The difference is greater if the consumer puts aside money for major purchases in a savings account that draws compound interest.

Because interest is deductible from taxable income some people argue that this offsets much of their interest costs. Maybe so, but drawing interest on savings still looks like a better deal, even if you have to pay taxes on interest earned.