Labeling in a global recession research paper examples

Business, Company

I live in Richmond, BC, Canada, where the housing market over the last 10 years has gone from $300, 000 to $1. 2 million per house. The problem with that is that wages have not increased over that time to accommodate increased living expenses to deal with this issue. As a result, we end up spending more and more in order to maintain the same quality of life that we had before. This phenomenon has spread throughout Canada, as more and more individuals are sinking into deep debt, with little to no way out. I choose to dispute the warning labels on credit cards on the basis that I feel it's an individual's right not to be forced to look at negatively based propaganda, legislated by people who know nothing about my personal finances. As a whole, Canadians do require better control over their finances, but warning labels are not the answer. The greater amount of labels they place on artifacts the more desensitized we become to them.

Warning labels on credit cards was one of the key topics discussed in Cullen Murphy's essay " Told You So" (in Course Reader LIBS 7001). In this article, Murphy discussed the issue of cautionary labels being placed on credit cards, much like how cigarettes and liquor bottles warn about adverse health effects. The article was written in 1999 - prior to the 2008 recession - and since then the American people along with most of the world are dealing with a debt based post recession. Unless we wish to see the same thing happen to Canada, we have to make sure to take the right steps to limit wasteful spending.

The labeling of credit cards to attempt to limit spending on citizens is fundamentally counterproductive, as well as ineffective. Labeling credit cards would not solve the debt crisis, as much of the debt crisis has been dependent quite heavily on the housing market and mortgages more so than unsecured credit spending. Instead, regulation of credit cards would be the more appropriate option, as that would provide more reasonable limits that are not inflicted directly upon the consumer alone. In this essay, I intend to dispute the need for warning labels on credit cards based on the Canadian economic need for spending.

Canadian household debt has doubled over the last 20 years, and has continued to increase through the recession. Based on the outcomes from the American debt crisis and the resulting recession, it seems logical to add warning labels on credit cards to prevent a similar fate to Canadians (Murphy, 1999). Credit card companies are shown to overextend lines of credit to their customers, allowing them to gather far too much debt than they can handle, which is what inspired the initiative to label cards in the first place. The difference, however, is that the Americans were not in a post recession environment like in Canada, and the warning labels may have made sense in their context. As it stands now, however, in a post-recession environment, the labels would be completely ineffective. Instead of warning labels to help control further spending, it seems to make more sense to legislate lower interest rates with lower limits on credit cards, to help in the financial recovery of the country.

Regulating credit card interest rates, in order to keep them low and to manage limits on credit cards, seems to be the ideal solution for the credit card crisis, instead of giving them the option to spend more, but simply giving the tacit warning that debt danger would befall them. Allowing the federal government to regulate credit and debit cards is already being considered as a serious option in Canada, and may well be the solution to providing people with a reasonable allowance of credit that they can handle (Peters and Donner, 2010).

Some who advocate for the labeling of credit cards state that it makes sense from a logical perspective to do so. By labeling credit cards, one more step is taken to prevent people from getting further into debt. It costs credit card companies money to have unpaid debt on their ledgers, and in order to avoid that loss in revenue customers should be encouraged to use credit cards wisely. The labels arguably, help to do that. Labeling credit cards would not solve the problem for those who simply cannot stop spending, as their lack of an honest sense of their finances would not stop them for overextending themselves. The label would do nothing - as a result, government intervention and regulation of interest rates and credit limits would be much more effective at eliminating debt than a simple label. Regulations on credit cards would allow for spending in a much more controlled environment, with lower stakes toward both the customer's and the credit card companies' liability (Peters and Donner, 2010). The credit card system is already inexorably linked to the Canadian economy; it cannot be damaged any further by uncontrollable spending. Labeling credit cards would only serve to create distrust in government intervention of the economy, due to its implication of mutual distrust in the Canadian people.

Frankly, the consumer spending that the labels seek to discourage has directly influenced positive economic growth in Canada, helping to get us out of the recession. While consumer spending has increased debt, it has also helped to sustain and grow businesses - as businesses grow, jobs increase, and employment increases as well. This will create a better market to allow the eventual decrease of debt, as people earn more that they can spend to pay off their debt (Nash, 2010). Labeling credit cards, therefore, is an active discouragement of those systems that have been put in place to help the economy chug along in times of crisis. As long-term growth is brought about by capital investment (in companies and businesses through the purchasing of their products), the short-term accumulation of unsecured debt is actually a good thing for Canada's economy.

There are those who believe it is ethical to warn people of the dangers of overspending; otherwise, the credit card and debt industry is dishonestly parading a perspective of safety and risk-ignorant spending. In essence, without the labels, it is said that credit card companies would not be behaving in the best interests of their customers by allowing their livelihoods to be destroyed by debt. According to many reports, Canadians simply cannot stop spending; savings increased and spending decreased only marginally after the recession hit, and consumer credit increased dramatically (McClearn, 2011). However, this phenomenon has little to do with the presence of credit cards, and these same reports note a marked decrease in frivolous spending anyway, that same money being tied up in essentials instead. The overall purpose, then, of labeling credit cards would simply be to make those who need to spend to survive feel guilty about those choices. They still need to spend anyway, because they are spending on essentials, like food, clothes and bills; the label would not make any marked change.

If the purpose is to label credit cards in order to help alleviate the debt crisis, should our houses be labeled as well? The current debt crisis is due more to the housing market and mortgages than unsecured debt; that is where people's money is mostly tied up at this point. There are people who even wish to trade their houses for cars, because their houses are worthless and so many houses are being foreclosed on (NBC News, 2011). With this in mind, labeling credit cards does not solve the major problem related to the debt crisis, which is the housing market. Canadian's debt is at record highs because of a " borrowing binge" in mortgages, which has been directly related to the exorbitant increase in home prices (Gutschi and Curren, 2011).

Some claim that the labeling of credit cards would continually warn people of the dangers of overspending, and hold them accountable for that action. It is possible to surmise that the labeling would prevent them from losing their homes and livelihoods, thus preventing them from financial crisis. However, not labeling credit cards will be a good business decision for credit card companies, because the label will actually turn away business. The presence of a label on a credit card, warning of the dangers of misuse, may actually offend those who feel they are being personally attacked or scrutinized for their financial choices. Most people wish to believe that they have a decent grasp on their finances; having a credit card company imply that they need a label to not go overboard with their spending will only demonstrate a complete lack of faith in their customers. Not having warning labels on credit cards will not be a cause of major scrutiny as most people are in agreement or would not be fully compelled to change to a credit card that implies poor financial control. Scrutiny with this topic is the need to spend opposed to paying off debt post recession.

In conclusion, governments should not mandate labeling of credit cards in a similar fashion to cigarettes and alcohol. First of all, it would be ineffective; those who will spend on their credit cards will spend on it regardless of the presence of a label. Secondly, credit card companies have an ethical responsibility to not allow overextended credit to those who cannot handle it in the first place, making regulation of credit card limits and interest rates a much more sensible option. Finally, the presence of a label will be bad for businesses and simply make those who are shown these labels feel offended, as they imply that the customer has poor financial control. For those who do the best they can with their finances, it is offensive and ineffective to place a label on credit cards; the real solution is to not allow people to overextend their credit beyond their means in the first place.

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