Worrisome Growth of Private Debt

AMERICANS are on a borrowing spree that has economists shaking their heads with concern. Individuals took on nearly 143 billion dollars of debt last year, a record amount that raised the total personal debt outstanding above a trillion dollars for the first time, as the Pictogram shows. That amounts to $4,748 per person.

Eager borrowing has stimulated the economy by boosting sales of homes, autos and other expensive goods and services. But analysts doubt that it can continue, and this skepticism lies behind the talk that the economy will turn sluggish. "People will have to start cutting back," says William N. Griggs, senior vice president of J. Henry Schroder Bank & Trust Company, New York. "The pace has to slow down."

Domino effect. The worry is that if consumers do retrench, sales will sag and surpluses will pile up in the stores, triggering cutbacks in production and employment.

The level of personal debt "is of concern," says Federal Reserve Board Chairman G. William Miller, because it could restrain future spending by individuals and set off "more widespread financial difficulties."

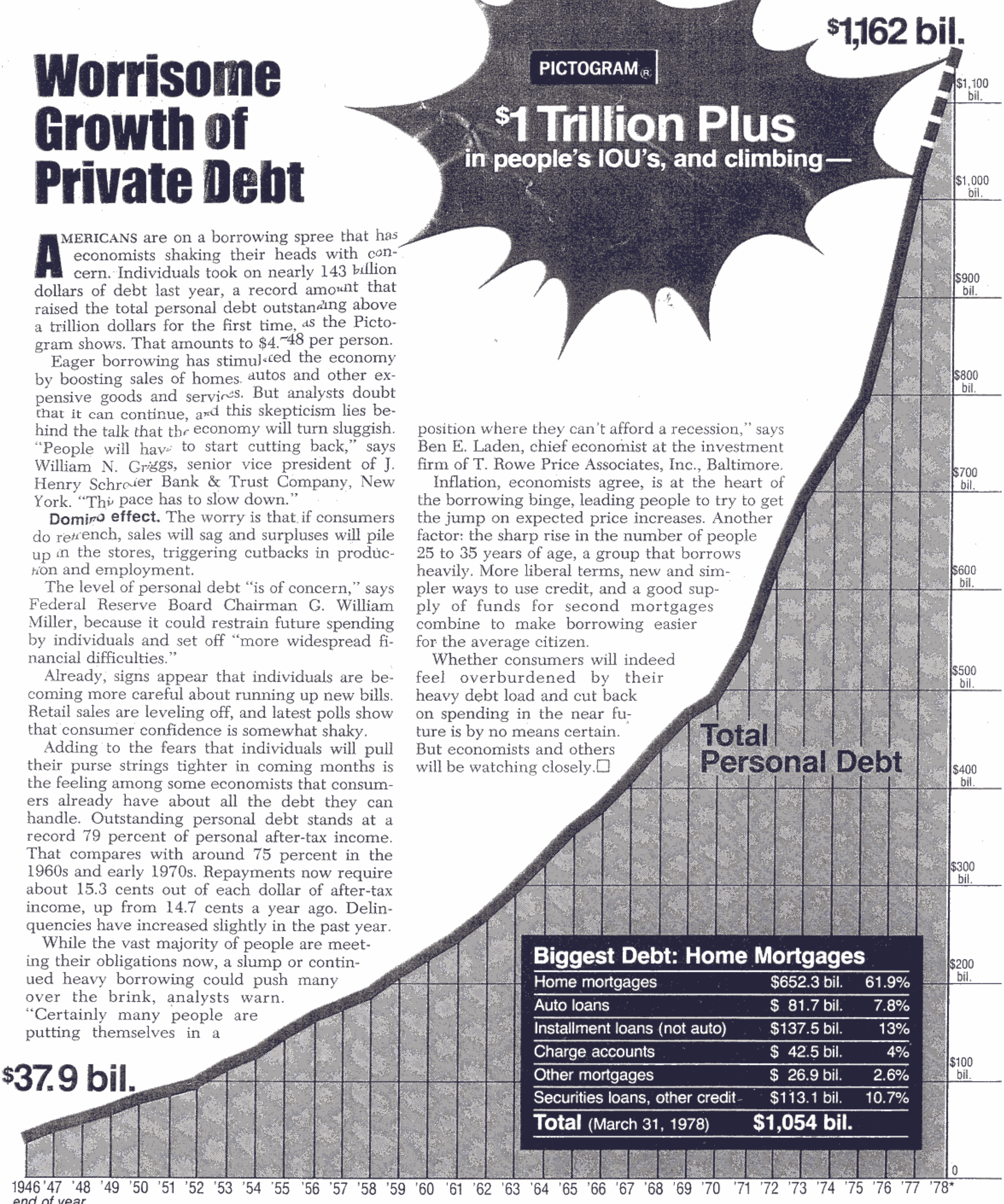
Already, signs appear that individuals are becoming more careful about running up new bills. Retail sales are leveling off, and latest polls show that consumer confidence is somewhat shaky.

Adding to the fears that individuals will pull their purse strings tighter in coming months is the feeling among some economists that consumers already have about all the debt they can handle. Outstanding personal debt stands at a record 79 percent of personal after-tax income. That compares with around 75 percent in the 1960s and early 1970s. Repayments now require about 15.3 cents out of each dollar of after-tax income, up from 14.7 cents a year ago. Delinquencies have increased slightly in the past year.

While the vast majority of people are meeting their obligations now, a slump or continued heavy borrowing could push many over the brink, analysts warn. "Certainly many people are putting themselves in a position where they can't afford a recession," says Ben E. Laden, chief economist at the investment firm of T. Rowe Price Associates, Inc., Baltimore.

Inflation, economists agree, is at the heart of the borrowing binge, leading people to try to get the jump on expected price increases. Another factor: the sharp rise in the number of people 25 to 35 years of age, a group that borrows heavily. More liberal terms, new and simpler ways to use credit, and a good supply of funds for second mortgages combine to make borrowing easier for the average citizen.

Whether consumers will indeed feel overburdened by their heavy debt load and cut back on spending in the near future is by no means certain. But economists and others will be watching closely. □



Biggest Debt: Home Mortgages

Home mortgages	$652.3 bil.	61.9%
Auto loans	$ 81.7 bil.	7.8%
Installment loans (not auto)	$137.5 bil.	13%
Charge accounts	$ 42.5 bil.	4%
Other mortgages	$ 26.9 bil.	2.6%
Securities loans, other credit	$113.1 bil.	10.7%
Total (March 31, 1978)	**$1,054 bil.**	

*end of year, at annual rate of increase in 1st quarter

Worrying economists is the fact that personal debt now totals more than three fourths of people's annual take-home pay, compared with less than one quarter in 1946. Source: Federal Reserve Board