

**Credit Card Industry and US Business Cycle
1997-2002**

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Abstract

This paper attempts to measure and link the Credit Card industry rate of profit to key US Business cycle indicator(s). The Cost of Funds (COF) is taken as the regulator of capital cost of the financial sector, a rate subject to the general business cycle of US economy. The profitability of 10 Credit Card firms and its determinants is key subject of inquiry. The Price wars (APR) across competing credit card firms and its implication during the boom Years of 1990s and the current 2001-2002 Recession is also investigated.

The change in measurement of key Credit indicators as: Elasticity of debt to price competition, Interest Margins, The Marginal Propensity to Consume out of debt, the changing COF and the ensuing competition of Capitals highlights the cyclical nature of Credit flows. The changing functional forms of Credit flows at different points of business cycle must be of interest, as its sets new challenges for both the Fed, the Consumer and the Credit Card companies.