

HOW FAR SHOULD WE CURB INSTALMENT BUYING?

Address

by

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I hope Mr. Granik intends us to take plenty of latitude under the announced topic. I am willing to talk about how far instalment buying should be curbed, but some of the listeners are probably asking why it has to be curbed at all.

External developments have forced the United States to arm on an unprecedented scale. To that end the Government is spending money for materials and men at the swiftest possible rate. Wages are going up. The number of unemployed is falling. National income and consumers' purchasing power are rapidly rising. But the supply of many things is diminishing as men and factories and materials are diverted to make implements for war. Now if this rising income is spent for a diminishing supply of goods, and on top of that we continue to expand consumer credit, this country faces ruinous price inflation.

If that develops, it is the great mass of working men and women who will be hardest hit. We can agree, I think, that the Government isn't going to abate its defense efforts just because of this prospect of inflation. But every future move in the fields of taxation, Treasury financing, direct price controls or credit policy should seek, as one objective, to prevent a runaway price situation. Certainly a balanced program to check

inflation must make use of all of them. We are concerned tonight with credit policy. The volume of long-term instalment debt is ballooning right on top of swiftly rising incomes. The new regulation of instalment credit is a part, and relatively not the most important part, of a broader program aimed to prevent these forces from driving prices out of reach. A further specific purpose is to slow down demand for articles which compete directly with defense for materials, labor and factory capacity.

Some people fear that regulation of instalment terms may take away the poor man's chance to buy the good things of life. It is not instalment terms but defense needs that will determine how many automobiles, refrigerators, and other specified articles are actually going to be produced for civilian use. Fewer people, whether rich or poor, will be able to get new cars, for example, regardless of whether instalment terms are regulated or not. What the low-income worker really needs to fear -- and what instalment regulation helps to protect him from - is sky-rocketing prices which dip into his pocketbook and cut his real wages.

In order not to pass over the direct question, I suggest that instalment terms should be strict enough to bring about, during the next year, a substantial reduction in the present volume of instalment credit extended on articles that compete

largely for defense materials. As for credit on articles not so directly competitive, the restraints should be sufficient to prevent a bulge in the volume now outstanding. I would start that way and watch it.

Finally, when the time comes that these civilian goods can be produced again in quantity, the brakes now being placed on consumer credit can be loosened or taken off. This will help to make more jobs and to keep the business machine running in the post-defense period.