

1949 SURVEY OF CONSUMER FINANCES

Some of these factors may be examined on the basis of Survey of Consumer Finances and other Federal Reserve System data. With regard to income, the median (middlemost) family income before taxes amounted to about \$3,100 in 1948 compared with roughly \$1,500 in 1941—an increase of over 100 per cent. After allowance for Federal income taxes, the increase in the median family income during this period was roughly 100 per cent. Somewhat larger proportionate increases took place in the lower half of the income distribution and somewhat smaller increases in the upper half.

Automobile prices at the retail level for the three leading low-price makes, as measured by the automotive component of the Consumers' Price Index of the United States Department of Labor, rose approximately 65 per cent in the period from 1941 to 1948 (annual averages). The increase to June 1949 was about 80 per cent. These data indicate that the level of consumer money income in the nation has risen relative to new car prices even if the higher present level of taxes is taken into account. Used car prices are approaching their prewar relationships to new car prices so that this area would show essentially the same pattern of price change in relation to income change as in the case of new cars.

It is significant that the largest percentage increases occurred in the incomes of the lower half of the population inasmuch as this group contained the bulk of the families who did not own cars at the beginning of 1949. The increases in incomes of the upper half of the population are estimated to have been of the same order of magnitude as the increases in automobile prices.

It should be noted that the majority of cars owned by consumers in 1941 had been purchased in prior

years when incomes and prices were considerably lower. However, the relationship of incomes and car prices in 1941 was such as to permit what was probably a substantial increase in the proportion of car-owning families in that year. Thus the current improved relationship of consumer incomes to car prices compared with 1941, registers a gain over a 1941 relationship that was favorable to an expansion in car ownership.

Total personal holdings of liquid assets (currency, bank deposits, savings and loan shares, and United States Government securities) more than tripled in the eight-year period from the beginning of 1941 to the beginning of 1949.⁵ Information concerning the distribution of liquid assets is available only for the postwar period but it is probable that this much larger volume of assets is more widely distributed than was the case for the smaller volume in the prewar period.⁶

As to the financing of motor vehicles, present terms are considered to be at least as liberal as prewar terms.

In summary, it would seem that with regard to income, liquid asset holdings, and availability of credit, the financial ability of consumers to own automobiles is greater than before the war. It should be stressed that these general comments on the automobile situation relate only to financial ability, not to any actual demand for cars or any of the other important elements mentioned above that help to determine the level of consumer demand.

⁵ See "Estimated Liquid Asset Holdings of Individuals and Businesses," Federal Reserve BULLETIN, July 1949, pp. 793-94.

⁶ A discussion of the distribution of liquid assets, apart from currency, as of early 1949, may be found in "Consumer Ownership and Use of Liquid Assets" (Part IV of this Survey of Consumer Finances), Federal Reserve BULLETIN, August 1949, pp. 896-911.

REVISION OF ESTIMATE FOR MEDIAN FAMILY INCOME IN 1948

Part III of the Consumer Finances Survey appearing in the July BULLETIN, which analyzed the distribution of consumer incomes in 1948, reported that the median income for all families covered by the survey sample was \$3,320. It now appears that there was an error in computing this figure and that the median family income in 1948 based on survey results was \$3,120.

On the basis of the revised figure, the increase from 1947 in the median income of all families was roughly \$200 or 7 per cent instead of \$400 or about

16 per cent as reported in the textual discussion on pages 779 and 788 of the July BULLETIN. The figures in Tables 8 and 14 of this same article referring to median family income in 1948 should also be corrected to show the new median of \$3,120.

This revision of the median figure does not affect any other figures or tables showing the distributions of family income in 1948 either by income groups or by income quintiles, and it does not affect any of the distributions of income on a spending unit basis.