INSTALLMENT BUYING BY CITY CONSUMERS IN 1941

By

REAVIS COX

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Frances Perkins, *Secretary*

BUREAU OF LABOR STATISTICS
Isador Lubin, *Commissioner* (on leave)
A. F. Hinrichs, *Acting Commissioner*

Letter of Transmittal

UNITED STATES DEPARTMENT OF LABOR,
BUREAU OF LABOR STATISTICS,
Washington, D. C., April 14, 1944.

The SECRETARY OF LABOR:

I have the honor to transmit herewith an analysis of installment buying by city consumers in 1941. The prevalence of installment buying is discussed and the characteristics of consumer units are analyzed in relation to installment buying and according to income group. It should be noted that the basic data on which this study is based had certain limitations; these are discussed in the last section of the report.

A selected list of the Bureau's publications on the costs, standards, and planes of living is appended.

A. F. HINRICHS, *Acting Commissioner.*

Hon. FRANCES PERKINS,
Secretary of Labor.

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United States Bureau of Labor Statistics

[From the MONTHLY LABOR REVIEW, June 1944, with additional data]

Installment Buying by City Consumers in 1941

By REAVIS COX[1]

Summary

ONE of the great impediments to the establishment by Government and business of effective policies on installment buying is the lack of adequate knowledge concerning installment buyers and their ways. There is no exact, detailed information as to who the users of installment credit are, how they differ (if at all) from consumers who do not buy on installments, how they control their use of installment credit, and how their installment purchases affect their spending for the goods and services they buy on other plans. Lacking such information, any move to restrict or to facilitate the purchase of goods on installments must be based upon hazy ideas (and these largely opinion) as to the effect of the action.

Only surveys directed specifically to the purpose can fully meet this need for knowledge.[2] However, the survey of consumers' incomes and expenditures in 1935–36 made jointly by several Federal agencies offered an opportunity for the first time to obtain some quantitative measures of the situation. Application of ingenious statistical techniques to the data collected in that survey yielded a highly informative picture of installment buying by consumers in the middle 30's.[3]

A similar study covering the year 1941 (made jointly by the Bureau of Labor Statistics and the Bureau of Human Nutrition and Home Economics) now offers an opportunity for throwing further light upon the situation. Accordingly, at the request of the author, the Bureau of Labor Statistics made a number of special tabulations of the data for cities and towns of 2,500 or more population. It is the purpose of the present article to present the results of these tabulations and to see what conclusions can be drawn from them.[4]

The year 1941 is particularly appropriate for the purpose, since it was the last full year before World War II completely changed installment buying in the United States. Installment purchases were

[1] Mr. Cox is Professor of Marketing at the University of Pennsylvania, on leave 1943–44 as Director of Research Projects for the Retail Credit Institute of America.

[2] For example, material now available shows nothing on variations in carrying charges, or on repossessions, or on the extent to which consumers take advantage of extremely liberal offers of credit.

[3] Bernstein, Blanche: The Pattern of Consumer Debt 1935–36. New York, National Bureau of Economic Research, 1940. See Chapter 2, Retail Installment Debt.

[4] The present study applies only to data collected by the Bureau of Labor Statistics. A preliminary report carrying the title "Income and Spending and Saving of City Families in Wartime" was published by the Bureau in 1942 as Bulletin No. 724. A more detailed report is to be published later by the Bureau of Labor Statistics. It was not feasible at this time to have similar special tabulations made of data covering the population in the rural areas; a report covering that part of the survey was published by the U. S. Department of Agriculture in 1943 as Miscellaneous Publication No. 520; Rural Family Spending and Saving in Wartime.

unusually large during the year, as many people were buying in anticipation of wartime shortages. Before the close of that year, it is true, the Office of Production Management had issued its first orders curtailing the production of automobiles, mechanical refrigerators, and domestic laundry equipment—all extremely important in the installment business. The Federal Reserve Board issued its Regulation W in its first form to become effective on September 1, 1941, putting maximum limits on terms and minimum limits on down payments under installment contracts. These official actions, however, did not have much effect upon installment buying until 1942. At the end of 1941, amounts outstanding under installment contracts had fallen less than 9 percent from the all-time peak of 4.1 billion dollars reached in August, and they were still well above their level of the preceding December.[5]

Analysis of the Bureau of Labor Statistics' special tabulations indicated that in 1941 about one-third of urban consumers purchased goods and services on the installment plan. Installment buyers were concentrated in the income brackets between $1,000 and $5,000; more than half of them had incomes between $1,000 and $2,500. Wage earners, predominant in the lower- and middle-income groups, were using installment credit more frequently than salaried workers or the self-employed.

A larger proportion of city colored than of white consumers made installment purchases in 1941. On the other hand, installment credit was used less frequently by the foreign born than by the native born. More of the younger families than of the older, and more of the larger than of the smaller families made purchases on the installment plan. Consumers whose incomes were larger in 1941 than in 1940 made greater use of installment credit than did those whose incomes had not changed or had declined.

Consumers making installment purchases during the year spent more than others in the same income group. At income levels below $2,500, installment credit was used in such a way as to permit families to spend, at the time, more than they received. The amounts spent on installment purchases were, however, apparently controlled by the level of current income and were small enough to allow a balancing of income and outgo in the course of a year. The higher expenditures for automobiles, furnishings and equipment, and clothing on the part of the consumer units using installment credit within the calendar year were partially offset by lower expenditures for all other goods and services. These comparisons lead to the conclusion that buyers are more prudent in their use of this form of credit than is sometimes assumed.

Prevalence of Installment Buying

Perhaps the first question which suggests itself in a quantitative study of installment buying is: What proportion of this country's consumers buy goods and services on installments? Table 1 provides an answer.[6] In 1941 about one-third of this country's urban consumer

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[5] Amounts outstanding under installment sales in this country on the dates mentioned above were: December 1940, 3.5 billion dollars; August 1941, 4.1 billion dollars; December 1941, 3.7 billion dollars (Monthly Estimates of Short-Term Consumer Debt, 1929–42, by Duncan McC. Holthausen, in Survey of Curent Business, November 1942, p. 17).

[6] The limitations of the sample and the definitions which must be attached to the terms used throughout this study are discussed in the section on pp. 19–21.

units made installment purchases. Of the consumer units in this sample 29.9 percent did and 70.1 percent did not have a net increase in their outstanding installment-purchase obligations during the year. All those with increases can be assumed to have made installment purchases during the year, and it is probably safe to assume that many installment buyers were not included in this group.

Although installment purchases are made by a substantial proportion of consumer units at each income level, the percentage varies substantially from level to level. Columns 1 and 4 in table 1 show that they are concentrated in the income ranges from $1,000 to $5,000 a year. In contrast, noninstallment units show a somewhat heavier concentration at the upper and lower extremes of income than does the general population. Columns 4 and 5 bring out the same information in another way. They show that, of the consumer units falling within any income group, installment buyers form substantially larger percentages of the middle-income groups than of the groups at either end of the income range. Chart 1 portrays these relations graphically. A comparison of columns 3 and 4 in table 1 shows that the income groups in which more than 30 percent of the units made installment purchases of goods in 1941 included more than 70 percent of the city consumer units in the entire country.

What installment sellers mean when they say that installment credit is "the poor man's credit" becomes clear from a perusal of table 1. More than 50 percent of the installment buyers have incomes between $1,000 and $2,500. These are not the poverty-stricken families which must be supported in whole or in part by relief and charity; they are the lowest income groups among the self-supporting. In that sense installment credit can properly be called "the poor man's charge account." It is not a substitute for an inadequate income; neither is it without utility to the well-to-do and the wealthy. The majority of its users, however, are people who can offer as security for credit only the facts that they are earners and good moral risks; thus they find it difficult, if not impossible, to obtain the kind of credit which depends in large part on property and social position.

TABLE 1.—*Percentage Distribution of Installment and Noninstallment Consumer Units Among and Within Income Groups*

Income group	Distribution of consumer units *among* income groups			Distribution of consumer units *within* income groups		
	Installment units (1)	Noninstallment units (2)	All units (3)	Installment units (4)	Noninstallment units (5)	All units (6)
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Under $500	2.2	10.5	8.0	8.2	91.8	100.0
$500 and under $1,000	9.6	17.9	15.4	18.6	81.4	100.0
$1,000 and under $1,500	15.2	14.6	14.8	30.6	69.4	100.0
$1,500 and under $2,000	18.4	15.2	16.3	34.0	66.0	100.0
$2,000 and under $2,500	18.4	13.6	15.0	36.6	63.4	100.0
$2,500 and under $3,000	18.4	9.5	12.1	45.3	54.7	100.0
$3,000 and under $5,000	14.0	13.5	13.6	30.7	69.3	100.0
$5,000 and under $10,000	2.7	3.7	3.4	23.8	76.2	100.0
$10,000 and over	1.1	1.5	1.4	23.5	76.5	100.0
All groups	100.0	100.0	100.0	29.9	70.1	100.0

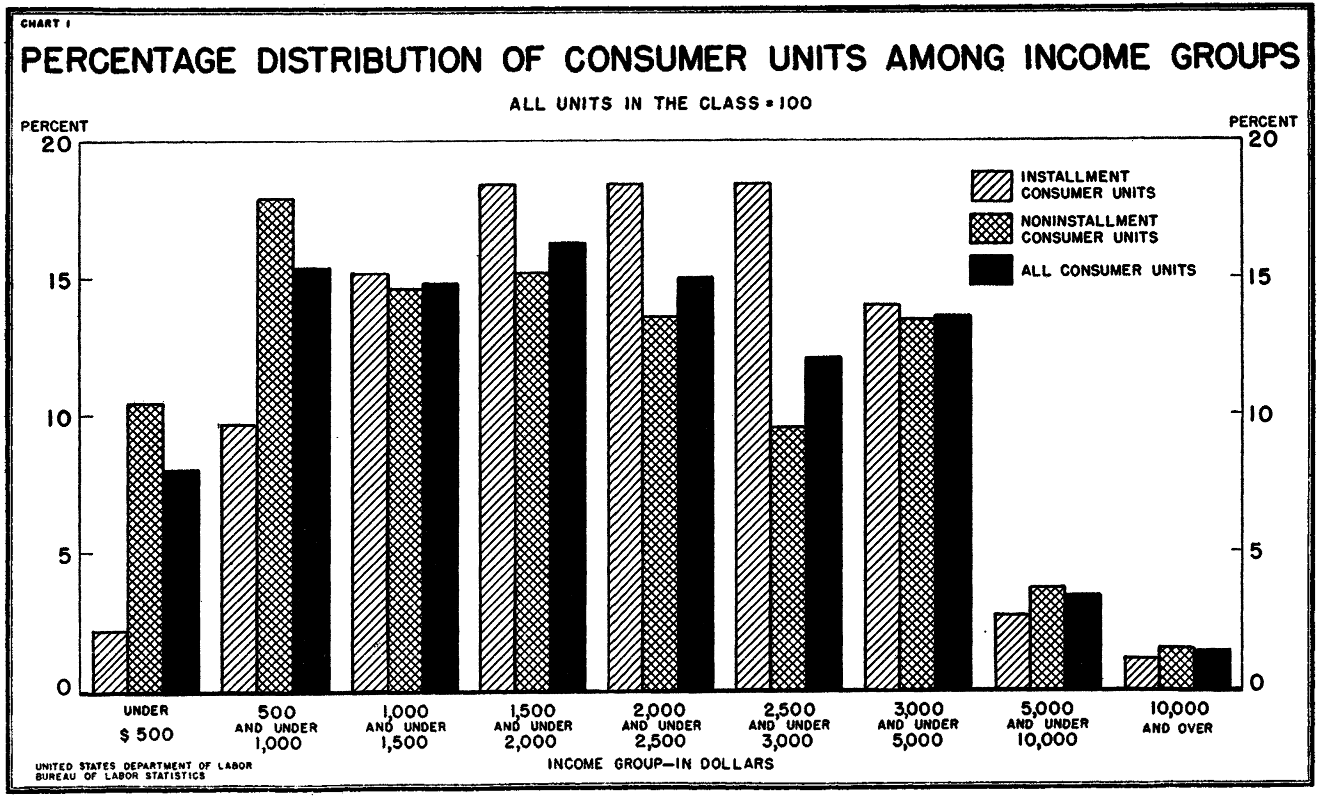
CHART I
PERCENTAGE DISTRIBUTION OF CONSUMER UNITS AMONG INCOME GROUPS
ALL UNITS IN THE CLASS = 100
PERCENT
20
15
10
5
0
INSTALLMENT CONSUMER UNITS
NONINSTALLMENT CONSUMER UNITS
ALL CONSUMER UNITS
UNDER $ 500
500 AND UNDER 1,000
1,000 AND UNDER 1,500
1,500 AND UNDER 2,000
2,000 AND UNDER 2,500
2,500 AND UNDER 3,000
3,000 AND UNDER 5,000
5,000 AND UNDER 10,000
10,000 AND OVER
INCOME GROUP—IN DOLLARS
UNITED STATES DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS

Presumably at the upper levels of income it becomes possible for a larger proportion of consumers to pay cash or to buy on other credit plans. The failure of consumers at the lowest income levels to use installment credit as freely as consumers in the middle brackets is probably due to their being unable to pay for the types of goods commonly sold on installments. It is sometimes said that installment credit makes it possible for people of low income to buy goods they could not otherwise afford. This statement should not be interpreted as meaning that installment credit in some way makes it possible for consumers to spend more than they receive in the long run. It can hardly be doubted that the poorest consumers would hasten to acquire these "luxuries" if installment credit offered a magic by which their purchasing power was enlarged without cost to themselves. That they do not purchase as freely as those of larger means must be taken to indicate that even the convenience of easy payments fails to bring many items of merchandise within their means.

Although table 1 and chart 1 reveal clearly enough where the market for installment credit lay in 1941, when measured by the number of consumer units using it, they do not show how the several income groups vary as markets for installment credit when measured by dollar volume. Table 4 shows that the average purchases on installment tend to increase rapidly as income rises from level to level. At the lowest income level the goods purchased on installments in 1941 averaged only $59. At the highest income level this figure rose to $847. It is thus apparent that in terms of dollar volume the upper income classes constitute a much larger proportion of the country's installment market than they do of its population. For some purposes this conclusion is extremely important, but it does not detract from the importance of the fact, already noted, that most of the people who buy on installments are not wealthy or even well to do, but in very moderate circumstances.

Characteristics of Consumer Units in Relation to Installment Buying

It is commonly supposed that the extent to which consumers use the installment system depends not only upon their incomes but also upon a number of other factors. Table 2 tests the influence of some of these factors. The results disagree in rather surprising ways with what has been generally believed about installment buying.

It is sometimes said, for example, that, since Negroes are usually restricted more rigorously in their use of credit by merchants than are whites, they buy on installments less frequently than do whites. The influence of race in this regard is presumably reenforced by the influence of income, because Negroes tend to be concentrated much more heavily than whites in the low-income brackets. Table 2 shows, however, that 38.2 percent of the city Negroes as compared with 29.1 percent of the city whites were installment buyers in 1941.

The significance of this fact is modified by two considerations: Since Negroes are a relatively small part of the total population, they represent a relatively small part of the total installment market; of the total urban installment buyers in 1941, 89.2 percent were white and only 10.8 percent were colored. Again, since the colored population is heavily concentrated in the low-income groups, their dollar purchases on installments are relatively much less important than their numerical importance among installment buyers. Nevertheless, within their numerical and income limitations, Negroes are relatively heavier users of installment credit than whites.

Another widely held belief about installment buying is that it has a much wider use and acceptance among the foreign-born than among the native-born population. Relating the use of installment credit to the national origin of the husband in the consumer unit,[7] table 2 shows that the proportion of families with foreign-born husbands using the installment plan (26.3 percent) is substantially lower than the proportion of families with native-born husbands using the plan (36.4 percent). The data available in this survey offer no clue as to the reason for this difference, but it probably stems from a combination of low wages, irregular employment, and difficulty in gaining social acceptance in a new environment. For most immigrants it is quite probable that installment buying represents their first access to credit in substantial amounts, so that it is extremely important to them.

TABLE 2.—*Distribution of Installment and Noninstallment Consumer Units by Specified Characteristics*

Class of consumer units	Distribution of units *within* classes			Distribution of units *among* classes		
	Installment	Noninstallment	All units	Installment	Noninstallment	All units
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Race: All units [1]	29.9	70.1	100.0	100.0	100.0	100.0
White	29.1	70.9	100.0	89.2	92.6	91.6
Negro	38.2	61.8	100.0	10.8	7.4	8.4
National origin of husband: All units	29.9	70.1	100.0	100.0	100.0	100.0
Native born	36.4	63.6	100.0	76.4	56.7	62.6
Foreign born	26.3	73.7	100.0	12.6	15.1	14.4
No husband	14.2	85.8	100.0	11.0	28.2	23.0
Living arrangements: All units	29.9	70.1	100.0	100.0	100.0	100.0
Housekeeping	31.9	68.1	100.0	94.8	87.3	88.7
Rooming	13.8	86.2	100.0	5.2	12.7	11.3
Home ownership: All housekeeping units	31.9	68.1	100.0	100.0	100.0	100.0
Living in owned home	29.6	70.4	100.0	41.2	45.9	44.4
Living in rented home	33.8	66.2	100.0	58.8	54.1	55.6
Region: All units	29.9	70.1	100.0	100.0	100.0	100.0
New England and Middle Atlantic	30.2	69.8	100.0	36.8	36.2	36.3
East North Central	29.2	70.8	100.1	23.4	24.1	23.9
South Atlantic, East and West South Central	32.8	67.2	100.0	21.7	18.9	19.8
West North Central, Mountain, and Pacific	27.0	73.0	100.0	18.1	20.8	20.0
Family size (equivalent persons):[2] All units	29.9	70.1	100.0	100.0	100.0	100.0
1 person	9.7	90.3	100.0	4.4	17.4	13.5
2 persons	28.1	71.9	100.0	25.8	28.2	27.5
3 and 4 persons	31.5	68.5	100.0	47.0	43.4	44.5
5 persons and over	46.9	53.1	100.0	22.8	11.0	14.5
Occupational groups: All units [3]	29.9	70.1	100.0	100.0	100.0	100.0
Self-employed	26.6	73.4	100.0	10.4	12.3	11.7
Wage earner	37.1	62.9	100.0	62.9	45.5	50.7
Salaried	26.3	73.7	100.0	22.3	26.5	25.3
WPA, NYA, property income, nonrelief benefits and annuities	10.7	89.3	100.0	4.4	15.7	12.3

[7] A similar computation on the basis of the national origin of the wife rather than the husband produced no significant differences in results.

TABLE 2.—*Distribution of Installment and Noninstallment Consumer Units by Specified Characteristics*—Continued

Class of consumer units	Distribution of units *within* classes			Distribution of units *among* classes		
	Installment	Noninstallment	All units	Installment	Noninstallment	All units
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Number of earners: All units	29.9	70.1	100.0	100.0	100.0	100.0
None	31.3	68.7	100.0	12.9	12.0	12.3
1 earner	27.0	73.0	100.0	48.4	55.7	53.5
2 earners	31.0	69.0	100.0	25.2	24.0	24.4
3 and 4 earners	38.0	62.0	100.0	11.3	7.8	8.9
5 earners and over	66.7	33.3	100.0	2.2	.5	9.9
1941 income as compared with 1940: All units	29.9	70.1	100.0	100.0	100.0	100.0
No report	37.0	63.0	100.0	24.2	17.5	19.5
50 percent or more higher in 1941	39.4	60.6	100.0	15.4	10.1	11.6
25-50 percent higher in 1941	34.0	66.0	100.0	13.2	10.9	11.6
5-25 percent higher in 1941	34.6	65.4	100.0	26.7	21.4	23.0
5 percent higher to 5 percent lower in 1941	20.2	79.8	100.0	14.3	24.0	21.1
25 percent lower in 1941	17.0	83.0	100.0	5.2	10.9	9.2
25 percent or more lower in 1941	8.2	91.8	100.0	1.0	5.3	4.0
Age of head of family: All units	29.9	70.1	100.0	100.0	100.0	100.0
Under 30 years	41.7	58.3	100.0	19.3	11.5	13.8
30 to 39 years	39.6	60.4	100.0	29.9	19.4	22.6
40 to 49 years	29.3	70.7	100.0	23.1	23.7	23.5
50 to 59 years	28.1	72.9	100.0	19.5	21.3	20.7
60 years and over	12.7	87.3	100.0	8.2	24.1	19.4
Size of city: All units	29.9	70.1	100.0	100.0	100.0	100.0
500,000 and over	22.7	77.3	100.0	23.6	34.3	31.1
100,000 and under 500,000	36.6	63.4	100.0	25.8	19.1	21.1
25,000 and under 100,000	30.7	69.3	100.0	20.4	19.5	19.8
Under 25,000	32.2	67.8	100.0	30.2	27.1	28.0

[1] A negligible number of units of other races was omitted from this part of table.
[2] Equivalent to 1 person in family for entire report period; i. e., 12 months, 1941.
[3] Occupational classification of unit was determined by major source of earnings or other income. Individual earnings were classified on basis of "Dictionary of Occupational Titles," prepared by U. S. Employment Service.

It appears that installment buying, especially outside the automotive field, is done chiefly as an incident to the establishment and maintenance of families. The low proportion of installment buyers in the "no husband" group of consumer units undoubtedly results from the high incidence of single persons among them. One would expect families to make more generous use of the installment privilege than single individuals, partly because many of the items commonly sold on installments (notably furniture and other household goods) are likely to be bought by families, but provided by landlords for single individuals in rented quarters if they are needed, and partly because the financial burden of the family is likely to be heavier in relation to its income and the pressure upon the budget therefore more severe.

Housekeeping consumer units use installment credit in much larger proportions than do roomers. The difference is probably to be explained, as was noted above, largely by the fact that many items commonly sold on installments are not needed by roomers or are provided for them by their landlords, whereas families setting up independent housekeeping must buy these items themselves. It may also be that the smaller use of installment credit by roomers can be attributed in part to lower incomes.

Among housekeeping units, the use of installment credit is more frequent among those who live in rented homes than among those who live in owned homes. In some ways this is surprising. Many credit managers of retail establishments list home ownership as one of the important factors to be considered in granting credit.[8] This might be expected to result in a greater preponderance of installment use among owners than among renters. On the other hand it could be argued that, since home owners can more easily obtain other types of credit accommodation, the renters should predominate in the use of installment credit. Evidently neither situation holds, and home ownership must be considered an item having no significance, in the aggregate, upon either the number of families which find it expedient to use credit or the number to which merchants find it expedient to grant credit.

Geographical variations in the use of installment buying are commonly supposed to exist, but table 2 fails to confirm the supposition. A relatively high proportion of the city people in the Southern States and a relatively small proportion of the city people in the far Western States bought in installments in 1941. The Northern and Eastern States are in an intermediate position. However, the differences are too small to have very great significance, and in interpreting them, it must be remembered that a larger proportion of the population in the South lives in rural communities. If the data for farm and rural nonfarm families were available, they might show different relationships among the regions. It may be that geographical subdivision greater than the size of this sample permitted would reveal more significant differences, but this can only be conjectured.

The data in table 2 suggest the existence of a direct correlation between the number of persons in a consuming unit and the proportion of the units buying on installments. Apparently the larger the unit the more likely it is to buy on installments. The reasons for this relationship must remain obscure in the absence of specific investigation of the point. Presumably, it is another indication of the part played by installment buying in financing family needs.

The common belief that installment buying is used more frequently by wage earners than by salaried workers or by the self-employed is confirmed in table 2. The use of this type of credit by wage earners is related to the fact that they are concentrated in the middle- and lower-income classes. It must be emphasized, however, that all three groups are important users of installment credit.

Some light is also thrown upon the extent to which people not gainfully employed use installment-buying privileges. Unfortunately, the smallness of the sample made it necessary to class those on relief with those living on income from property or on retirement and disability benefits. As a group, these consumers made relatively little use of installment buying; how much they differ among themselves in this respect remains to be discovered.

Classification of consumer units by number of earners indicates that the proportion of installment buyers rises as the number of earners in the unit increases. This tendency can be attributed to a number of factors, a selection among which must depend upon further investigation. One possibility is that many, if not most, families budget their prime necessaries to the income of the principal earner or earners in

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[8] The more conservative credit managers in department stores lay great stress upon property as security for the credit they extend. See, for example, Leopold Meyer's statement, "a man is entitled to credit only in proportion to his collateral," in his article, "What's Ahead for the Credit Profession in Retailing" in Credit Management Year Book, 1940 (p. 16).

the family and use some part of any additional income to buy, on installments, goods which are less urgently needed but which add appreciably to the comforts of living.

Another belief often expressed concerning installment buying is that an increase in income makes consumers more willing and able to go into debt for goods, whereas decreases in income make them less willing and able to do so. Since the figures here available cover only 1 year, they permit no adequate test of this belief, but they do suggest the existence of some relationship between rises and declines in incomes and the willingness and ability of consumers to enter into installment contracts during the same year. For nearly one-fifth of the consumer units covered, no reports comparing 1940 and 1941 incomes were available. Among the other four-fifths, however, a remarkably consistent progression in the degree of use of installment credit is to be found; the larger the increase in income, the larger the percentage of family consumer units buying on installments and, obversely, the larger the decrease in income, the smaller the percentage of families buying on installments.

The financial problems of getting a family started account, in all probability, for the consistent relationship shown between the use of installment buying and the age of the head of the family. The younger years are the ones in which consumers build up their basic stocks of durable goods. Thereafter one would expect purchases to be primarily for replacement, with trade-ins carrying part of the cost for some important items. Furthermore, it is in the younger years that incomes would probably be smallest in relation to the pressure of family needs.

The data also suggest that consumers are more prudent in the use of installment credit than some critics of the system infer. Since one would expect average incomes to rise at least until middle age, uncritical acceptance of the assumption that families spend to the limit of their credit potential would lead to the expectation of a rise in the use of installment buying to a peak at middle age and a subsequent fall. Table 2 indicates that the use of installment buying is conditioned upon the consumer's need to build up a stock of durable goods rather than upon the factors which determine his ability to repay debts. In other words, people buy goods on installment credit because they need both the goods and the credit. They apparently do not expand purchases on the installment plan merely because they can buy on credit. The fact that older buyers do not use installment credit as much as younger ones is undoubtedly affected by the fact that persons in middle life who have become well-established in a community can more often pay cash, or obtain charge accounts in furniture or department stores, where they settle their accounts within 60 days. This conclusion applies, of course, only to the number of consumers purchasing on installments, and not to the dollar volume of purchases made by them. The pattern would probably be quite different as regards dollar volume.

As would be expected, consumers in the very large cities are the least frequent users of the installment-buying privilege. The apparent reasons are that the per-capita purchase of automobiles in metropolitan centers is smaller than in other cities, and that the greater prevalence of apartment living in such centers reduces the quantities of other durable goods purchased. How much importance should be attached to the relatively high use of installment buying in cities of 100,000 to 500,000 population is problematical, since the percentage differences is fairly small. However, this confirms the findings of the 1935–36 survey.[9]

Another informative view of installment buying is obtained by computing the percentages on the basis of the total number of units in the sample and the total numbers buying on installments or not so buying, as is done in the last three columns of table 2. This method of presentation should be useful to persons interested primarily in the characteristics of the installment market or the noninstallment market, as such. For example, this approach will be useful to a regulatory agency which wants to see who is being regulated by its orders, or to a sales manager or merchant who is considering ways of selling profitably to the installment market—in short, to anyone who wants a description of what may be called the "typical" installment consumer or the "typical" noninstallment consumer.[10]

In the installment, as contrasted with the noninstallment, market in cities throughout the country, one should expect to find a substantially higher proportion of the native-born, the large families, the wage earners, the young, and those whose incomes were rising; an appreciably higher proportion of Negroes and of families with more than one earner; but about the same proportion of residents of different parts of the country.

Characteristics of Consumer Units, by Income Groups

A much more detailed analysis of the data in table 2 would be useful if it were possible. In particular it would be desirable to see whether the conclusions reached thus far must be modified (and if so how and to what extent) when consumers of different age, occupation, and race are classified according to income and locality. Interrelations among the various consumers' characteristics also need to be analyzed. Unfortunately, the limitations of the sample [11] are reached at this point.

Table 3 represents the extreme of detail beyond which it probably is not wise to push analyses of the sample. By reducing to four the nine income groups used in table 1 and reducing substantially the number of classes in the individual tabulations of table 2, cross-tabulations have been worked out which can be accepted with a reasonable degree of confidence and which are worth presenting here for the additional light they throw upon the characteristics of users and nonusers of the installment plan of buying.

Table 3 indicates that most of the differences shown in table 2 between users and nonusers of installment buying appear at all income levels. They must therefore be assumed to have a significance apart from any differences of income they may reflect indirectly.

[9] Bernstein, Blanche: The Pattern of Consumer Debt, 1935–36. New York. National Bureau of Economic Research, 1940 (pp. 40–42). Her grouping of cities is somewhat different from the one used here.

[10] The figures here given are, of course, national averages for cities. For many purposes where local or regional averages are required, table 2 will serve only as an illustration of what can be done.

[11] See section on limitations of data used (pp. 19–20).

TABLE 3.—*Distribution of Installment and Noninstallment Consumer Units Within Specified Classes and Income Groups*

Class of consumer units	Percentage distribution of consumer units with annual income of— Under $1,000			$1,000 and under $2,000		
	Installment	Noninstallment	Total	Installment	Noninstallment	Total
Race: All units [1]	14.9	85.1	100.0	32.3	67.7	100.0
White	11.6	88.4	100.0	29.8	70.2	100.0
Negro	25.8	74.2	100.0	62.1	37.9	100.0
National origin of husband: All units	15.0	85.0	100.0	32.4	67.6	100.0
Native-born	26.9	73.1	100.0	38.6	61.4	100.0
Foreign-born	4.0	96.0	100.0	20.8	79.2	100.0
No husband	8.5	91.5	100.0	22.6	77.4	100.0
Home ownership: All housekeeping units	17.7	82.3	100.0	33.3	66.7	100.0
Living in owned home	15.6	84.4	100.0	26.5	73.5	100.0
Living in rented home	18.8	81.2	100.0	37.1	62.9	100.0
Living arrangements: All units	15.0	85.0	100.0	32.4	67.6	100.0
Housekeeping	17.7	82.3	100.0	33.3	66.7	100.0
Rooming	7.0	93.0	100.0	26.0	74.0	100.0
Region: All units	15.0	85.0	100.0	32.4	67.6	100.0
New England and Middle Atlantic	7.7	92.3	100.0	37.8	62.2	100.0
East North Central	5.1	94.9	100.0	28.4	71.6	100.0
South Atlantic, East and West South Central	28.0	72.0	100.0	28.6	71.4	100.0
West North Central, Mountain, and Pacific	13.0	87.0	100.0	30.1	69.9	100.0
Size of unit (equivalent persons): All units	15.0	85.0	100.0	32.4	67.6	100.0
1 and 2 persons	13.0	87.0	100.0	23.1	76.9	100.0
3 persons and over	17.6	82.4	100.0	41.0	59.0	100.0
Occupational group: All units	15.0	85.0	100.0	32.4	67.6	100.0
Self-employed	13.0	87.0	100.0	32.4	67.6	100.0
Wage earner	20.5	79.5	100.0	37.5	62.5	100.0
Salaried	11.1	88.9	100.0	25.0	75.0	100.0
WPA, NYA, property income, nonrelief benefits, and annuities	9.6	90.4	100.0	12.9	87.1	100.0
Number of earners: All units	15.0	85.0	100.0	32.4	67.6	100.0
None to 2 earners	14.2	85.8	100.0	32.8	67.2	100.0
3 earners and over	36.4	63.6	100.0	18.2	81.8	100.0
1941 income as compared with 1940: All units	15.0	85.0	100.0	32.4	67.6	100.0
No report	15.6	84.4	100.0	57.9	42.1	100.0
5 percent or more higher in 1941	19.8	80.2	100.0	37.3	62.7	100.0
5 percent higher to 5 percent lower in 1941	7.7	92.3	100.0	26.0	74.0	100.0
5 percent or more lower in 1941	18.0	82.0	100.0	9.0	91.0	100.0
Age of head of family: All units	15.0	85.0	100.0	32.4	67.6	100.0
Under 40 years	26.2	73.8	100.0	47.4	52.6	100.0
40 to 59 years	13.0	87.0	100.0	25.4	74.6	100.0
60 years and over	7.8	92.2	100.0	7.6	92.4	100.0
Size of city: All units	15.0	85.0	100.0	32.4	67.6	100.0
500,000 and over	5.7	94.3	100.0	27.4	72.6	100.0
Under 500,000	18.1	81.9	100.0	34.5	65.5	100.0

[1] A negligible number of units of other races was omitted from this part of the table.

TABLE 3.—*Distribution of Installment and Noninstallment Consumer Units Within Specified Classes and Income Groups*—Continued

Class of consumer units	Percentage distribution of consumer units with annual income of—					
	$2,000 and under $3,000			$3,000 and over		
	Installment	Noninstallment	Total	Installment	Noninstallment	Total
Race: All units [1]	40.5	59.5	100.0	29.0	71.0	100.0
White	40.1	59.9	100.0	29.0	71.0	100.0
Negro	57.1	42.9	100.0			
National origin of husband: All units	40.5	59.5	100.0	28.9	71.1	100.0
Native-born	42.9	57.1	100.0	30.7	69.3	100.0
Foreign-born	39.7	60.3	100.0	23.5	76.5	100.0
No husband	17.4	82.6	100.0	16.7	83.3	100.0
Home ownership: All housekeeping units	42.1	57.9	100.0	29.1	70.9	100.0
Living in owned home	38.4	61.6	100.0	30.4	69.6	100.0
Living in rented home	45.5	54.5	100.0	27.3	72.7	100.0
Living arrangements: All units	40.5	59.5	100.0	28.9	71.1	100.0
Housekeeping	42.0	58.0	100.0	29.3	70.7	100.0
Rooming	7.1	92.9	100.0	0	100.0	100.0
Region: All units	40.5	59.5	100.0	28.9	71.1	100.0
New England and Middle Atlantic	37.0	63.0	100.0	24.7	75.3	100.0
East North Central	43.6	56.4	100.0	31.6	68.4	100.0
South Atlantic, East and West South Central	47.7	52.3	100.0	35.3	64.7	100.0
West North Central, Mountain, and Pacific	38.2	61.8	100.0	29.7	70.3	100.0
Size of unit (equivalent persons): All units	40.5	59.5	100.0	28.9	71.1	100.0
1 and 2 persons	34.6	65.4	100.0	20.0	80.0	100.0
3 persons and over	43.3	56.7	100.0	31.4	68.6	100.0
Occupational group: All units	40.5	59.5	100.0	28.9	71.1	100.0
Self-employed	33.3	66.7	100.0	24.0	76.0	100.0
Wage earner	45.8	54.2	100.0	44.2	55.8	100.0
Salaried	36.4	63.6	100.0	20.2	79.8	100.0
WPA, NYA, property income, nonrelief benefits, and annuities	18.2	81.8	100.0	0	100.0	100.0
Number of earners: All units	40.5	59.5	100.0	28.9	71.1	100.0
None to 2 earners	39.4	60.6	100.0	24.2	75.8	100.0
3 earners and over	50.0	50.0	100.0	40.6	59.4	100.0
1941 income as compared with 1940: All units	40.5	59.5	100.0	28.9	71.1	100.0
No report	50.8	49.2	100.0	23.1	76.9	100.0
5 percent or more higher in 1941	44.8	55.2	100.0	31.9	68.1	100.0
5 percent higher to 5 percent lower in 1941	27.5	72.5	100.0	21.6	78.4	100.0
5 percent or more lower in 1941	22.2	77.8	100.0	37.5	62.5	100.0
Age of head of family: All units	40.5	59.5	100.0	28.9	71.1	100.0
Under 40 years	45.2	54.8	100.0	30.6	69.4	100.0
40 to 59 years	41.3	58.7	100.0	28.1	71.9	100.0
60 years and over	22.5	77.5	100.0	28.6	71.4	100.0
Size of city: All units	40.5	59.5	100.0	28.9	71.1	100.0
500,000 and over	31.9	68.1	100.0	16.9	83.1	100.0
Under 500,000	45.3	54.7	100.0	35.1	64.9	100.0

[1] A negligible number of units of other races was omitted from this part of the table.

The influence of home ownership upon installment buying looks somewhat different when the data are cross-classified by income level. The table reveals some differences in the behavior of consumers at different income levels. Home ownership leads consumers in the lower- and middle-income brackets to make less use, but in the upper ranges to make more use, of installment arrangements than do renters;

however, the difference in the range above $3,000 is not large enough to permit accepting this conclusion as final.

When the data on regional differences in installment buying are analyzed by income groups, a pattern emerges which could not be derived from table 2. In the Northeastern, North Central, and Western States the frequency of installment buying rises sharply from a relatively low percentage in the income brackets under $1,000 to a maximum in the range between $2,000 and $3,000. In the Southern States the differences among the income classes are not so extreme, since more use is made of installment credit by the units with incomes under $1,000 than in the other regions. The differences between Negroes and whites discussed below may in part account for the relatively large use of installment buying at the lowest income level in the Southern States.

The relationship found in table 2 between the number of earners in consumer units and the frequency with which they use installment credit emerges in table 3, although the results are not completely consistent. The sample contains only a small number of units with three or more earners, however, so that it is necessary not to place too much reliance on the detailed figures.

Particularly interesting, in table 3, is the heavy use of installment credit by Negroes in the two middle income classes. Since no Negroes with incomes of more than $3,000 were found in the sample, this means that installment credit is used much more frequently by the wealthiest Negroes than by either whites of comparable income or whites at higher levels of income.

A tabulation of Negroes and whites into the 9 income classes used for table 1, although omitted here for the reasons discussed above, may be cited as indicating the existence of an even higher concentration of installment purchasing by Negroes than that shown by table 3. Between 70 and 80 percent of all urban Negro consumers units with incomes of $1,500 to $2,500 apparently were installment buyers in 1941. This may be explained by the intensity of the desire of an underprivileged group for goods that lie just beyond its reach until it moves into income brackets where it can afford periodic payments large enough to warrant the granting of installment credit. Proponents of the installment system may also find here some support for their argument that the installment plan offers a device whereby the underprivileged can more quickly establish themselves on a higher plane of living justified by an increase of income. However that may be, these figures certainly call attention to the desirability of making a special study of the use by Negroes of installment credit.

The problems thus far discussed have been concerned with the effects of a number of important consumer characteristics upon the ability and willingness of consumers to buy goods and services on installments. Another widely debated group of problems has to do with the effects of installment buying upon the management of their expenditures by consumers. Tables 4 and 5 and chart 2 present data from the 1941 study of family income and expenditure which throw some light upon these problems.

Table 4 is built up from three sets of figures: (1) The average incomes, by income groups, of the consumer units which did and those which did not buy on installments in 1941; (2) the average total expenditures of the same consumer units classified in the same way;

and (3) the average dollar value of merchandise bought on installments during the year by the consumer units in each income group insofar as such purchases were reported in the schedules. The lower half of the table shows the differences between various lines in the first half on a percentage basis.

TABLE 4.—*Comparison of Income, Expenditure, and Installment Purchases of Installment and Noninstallment Users, by Income Groups*

Item	Under $500	$500 and under $1,000	$1,000 and under $1,500	$1,500 and under $2,000	$2,000 and under $2,500	$2,500 and under $3,000	$3,000 and under $5,000	$5,000 and under $10,000	$10,000 and over
Average income of—									
Units buying on installment	$371	$765	$1,275	$1,784	$2,300	$2,750	$3,741	$5,585	$12,335
Units not buying on installment	309	734	1,252	1,742	2,241	2,748	3,738	6,403	14,794
Difference	62	31	23	42	59	2	3	[1] 818	[1] 2,459
Average expenditure of—									
Units buying on installment	413	853	1,374	1,850	2,402	2,760	3,668	5,301	7,921
Units not buying on installment	451	757	1,257	1,631	2,073	2,602	3,339	5,034	10,922
Difference	[1] 38	96	117	219	329	158	329	267	[1] 3,001
Units buying on installment:									
Excess of average expenditure over average income [2]	42	88	99	66	102	10	[3] 73	[3] 284	[3] 4,414
Units not buying on installment:									
Excess of average income over average expenditure [2]	[4] 142	[4] 23	[4] 5	111	168	146	399	1,369	3,872
Average purchases on installment	59	131	160	219	401	350	481	447	847
	Comparison of items of income and expenditure (in percentages)								
Installment users compared with noninstallment users as to—									
Average income	120.1	104.2	101.8	102.4	102.6	100.1	100.1	87.2	83.4
Average expenditure	91.6	112.7	109.3	113.4	115.9	106.1	109.9	105.3	72.5
Excess of expenditure over income of installment users, as percent of average installment purchases	71.2	67.2	61.9	30.1	25.4	2.9	(3)	(3)	(3)
Average installment purchases as percent of excess of expenditure of installment users over that of noninstallments users	(1)	136.5	136.8	100.0	121.9	221.5	146.2	167.4	(1)
Average installment purchases as percent of—									
Average income	15.9	17.1	12.5	12.3	17.4	12.7	12.9	8.0	6.9
Average expenditure	14.3	15.4	11.6	11.8	16.7	12.7	13.1	8.4	10.7

[1] Average greater for noninstallment than for installment group.
[2] Differences of less than 1 percent between incomes and expenditures are not significant, since acceptable schedules were allowed a balance difference up to 5 percent. The balancing difference is the discrepancy between the reported receipts and disbursements. For all urban consumer units, disbursements were $19 in excess of income, or less than 1 percent.
[3] Average income exceeds average expenditure.
[4] Average expenditure exceeds average income.

The first striking fact brought out by table 4 is that users and nonusers of installment credit differ markedly in their general patterns of income and expenditure for goods and services.[12] It also shows quite

[12] Too much significance should not be attached to the pattern of income shown. In all income groups up to the $2,500–$3,000 class where, as chart 1 shows, the use of installment buying reaches its peak, the income of installment users is greater than that of the nonusers. In the classes above $5,000 the situation is reversed. The pattern probably can be explained by a characteristic of frequency distributions. Since the percentage of consumer units using installments rises to a peak and falls away beyond that point, one would expect that within each income group the installment users would be clustered somewhat more heavily at the inner end than at the outer end of each income group. Correspondingly the noninstallment units would be expected to cluster somewhat more heavily at the outer ends of the groups on either side of the peak. Averaging the two classes separately within income groups would thus be expected to result in a higher average for installment users than for nonusers to the left of the peak and a lower average for installment users than for nonusers to the right of the peak.

clearly that except at the two extremes of the scale, installment users of any given income group on the average spend appreciably larger amounts for goods and services than do nonusers in the same income group.[13]

The difference shown in expenditure cannot be attributed to intra-group differences in income. At six of the seven income levels where the expenditures of installment families exceed those of noninstallment families, the differences in the expenditures are substantially larger than the differences in the income. At the highest of these seven levels, installment consumers have higher expenditures and lower incomes than noninstallment consumers. These figures thus tend to confirm the common assumption that installment credit represents an addition to a consumer's purchasing power and makes possible purchases that (within the limits of a single year) could not be made from current income.

Although the foregoing data indicate that the installment plan leads those who use it to spend more for goods and services in any given year than those who do not use it, this should not be construed as indicating that the use of installment credit automatically leads the average family to spend more for goods and services than it itself receives in income. In fact, table 4 reveals quite a different situation. For installment buyers with incomes of $2,500 or more (and this means, as table 1 shows, for more than a third of all urban installment buyers) expenditures for the year as a whole, including installment purchases, did not exceed income but most commonly fell well below it. In other words, for this section of the installment public, installment buying seems to be used as an alternative to interfering with savings in some way or other rather than as a simple extension of purchasing power to cover expenditures for goods and services larger than current income could support. It is only in the income levels below $2,500 that installment credit is used by the average family in such a way as to permit its spending, for the time being, more than it receives. It is to be expected, of course, that consumers at the higher income levels would have a greater degree of flexibility than those at lower levels in deciding how to allocate their incomes. They also should have a wider range of choice among methods of paying for what they buy.

Excepting the lowest income levels, nonusers of installment credit in all income groups on the average hold their expenditures within their income.[14]

It may be that much of this difference between installment users and nonusers would be wiped out during a cycle in which, say, last year's installment buyers become this year's noninstallment buyers. The excess of income over expenditure for noninstallment buyers

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[13] The divergence from this general rule of the income groups at either extreme should be noted. The one at the highest level of income probably can be explained in terms of inadequate sampling. A difference in size of family accounts for the divergence from the general pattern found at the lowest income level. Most of the installment buyers were families of 2 persons whereas more than half of the families in the noninstallment group had three or four persons. In any event these two groups include so small a portion of the country's installment buyers that they have no considerable effect upon the conclusions to be drawn.

[14] It is to be expected that the lowest income group should have an excess of expenditures over income since it includes, in addition to people wholly or partly dependent on charity and relief, others in circumstances allowing some latitude in consumption. Among these are retired persons and families with abnormally low incomes in the particular year because of business losses, illness, of other contingencies.

under such circumstances could be little more than a measure of what they are repaying on installment contracts carried over from preceding years. Some light could be thrown on this subject by special tabulations of data for consumers whose installment obligations decreased in 1941 and those who reported no change of any kind in installment obligations. To understand fully how installment buying affects the relations of consumer income and outgo, a special survey covering a period of several years would be necessary.

Even at the lowest income levels, the excess of expenditure over income which characterized so many installment buyers, is considerably smaller than the amount typically spent in installment purchases. The average amount of purchases on installments by consumers in the successive income groups rises as income increases. The computation showing the excess of expenditures over income of the installment users, as a percentage of the average installment purchase, shows that at the lowest level the average excess is about seven-tenths as large as the average installment purchase. At succeeding higher levels of income, this proportion falls off sharply.

It would seem that the great mass of buyers and sellers is considerably more prudent in these matters than the more severe critics of the installment system would suppose. There is much advertising of easy terms; but most of the actual buying (and this means both most of the transactions and most of the dollar volume) seems to be done by consumers on terms which pay out within a year. If a year is taken as the basic period for household accounting, most installment buying can properly be considered a current expenditure.[15] Its impact upon consumer budgets must be sought more in the effects upon other expenditures and savings than upon the balance of income and outgo. Table 5 is designed as a start toward such an analysis.

Before table 5 is considered, however, three other comparisons made in table 4 can be noted. The difference between the expenditures of installment consumers and those of noninstallment consumers is considerably smaller for most income groups than the amount of the installment purchases. This again is some evidence of the use of prudence by consumers in buying on installments. Installment purchases apparently are not merely a reckless piling up of future obligations upon a fully used income. As has been noted, they are in large part accomplished out of current income.

No light is thrown by table 4 on the extent to which installment buying can properly be considered a form of saving. A durable good is a bundle of satisfactions that will be used up over a period of time. If the goods he buys meet his expectations, a consumer who buys on installment will merely be paying for his satisfactions as he uses them. If he pays out his contracts more rapidly than he uses up the goods, as these figures would suggest, he may be said to be saving in the sense of accumulating a fund of satisfactions for future use.

The last two lines of the table are of interest as indicating the relative importance of installment purchases in consumer finances. It is clear that at the lower levels of income, installment purchasing plays

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[15] This does not mean, of course, that a worker whose income fluctuates widely or erratically in shorter periods is wise to incur installment debts for a year ahead.

a much larger part in the family finances of its users than it does at the upper levels. Why this should be so, and what its significance is for the individuals concerned as well as for the economy, must be left to future investigation.

Uses of Income by Installment Buyers

Table 5 and chart 2 contain data designed to show what important differences there are in the ways users and nonusers of installment credit distribute their incomes between the major categories of consumer goods, gifts, and taxes. Those one would expect to be affected directly by installment selling are put at the top. Those one would expect not to be so affected are put below the "miscellaneous" category.

The most important comparison for present purposes is between installment and noninstallment consumers in the same income bracket. Among the types of goods commonly bought on installments, two—automobiles, and furnishings and equipment—have a uniform pattern; at every income level the percent of income spent for such goods by installment buyers is substantially greater than by the noninstallment consumers. In other words, even at the highest income levels in 1941 consumers were predominantly unable or unwilling to pay cash or to arrange other bases of payment in buying these goods. Clothing shows the same general situation in all the lower income brackets except the very lowest, but the pattern for consumer units with income of more than $2,000 is irregular. This conforms to the common opinion that the purchase of clothing on installments is a practice primarily of low-income buyers. Upper-income consumers can pay cash or buy on charge accounts.

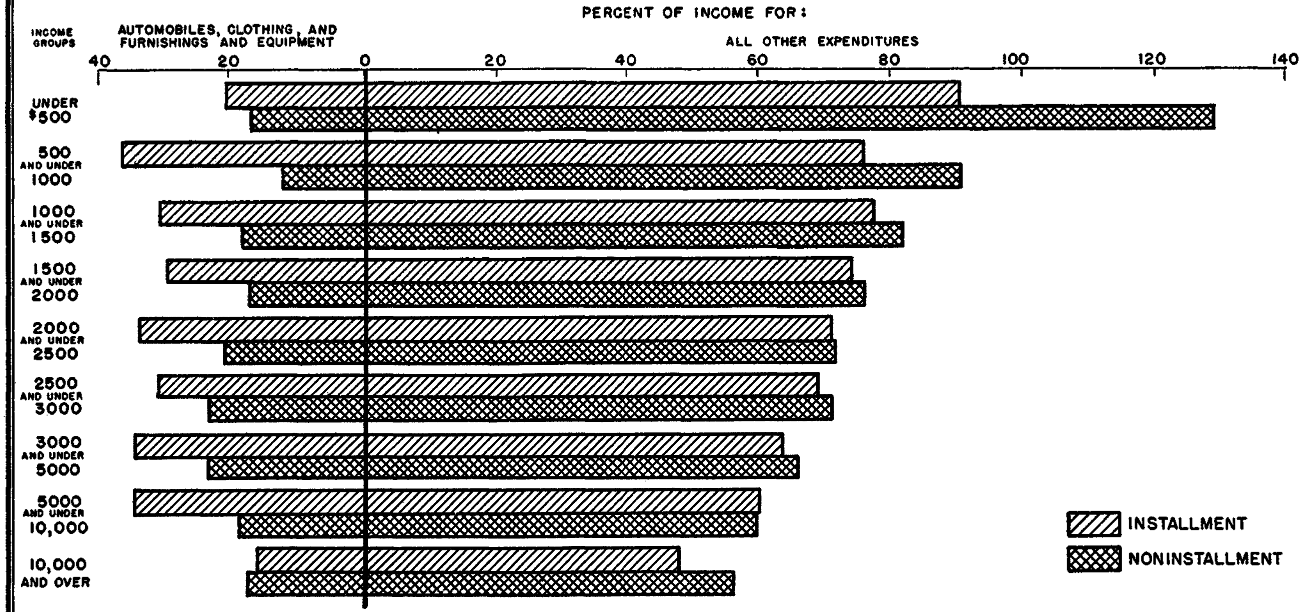
The difference, especially at the lower income levels, between the amounts spent by installment buyers and the amounts spent by noninstallment buyers for automobiles and for furnishings and equipment makes it clear that, for most consumers, the choice was one between buying on installments and doing without that year. It is noteworthy, furthermore, that as incomes rise, the proportion of purchases on bases other than installment rises. These facts tend to confirm the opinion often expressed that restrictions on the use of installment credit bear more heavily upon the poor than upon the rich.

The remaining parts of table 5 are useful in the present study for the light they throw upon the adjustments made by consumers in other expenditures when they buy on installments. The limitations of the data must be kept in mind when they are used for this purpose. Important adjustments can be made in budgetary items that lie entirely outside this table. Decreases in monetary savings, for example, may make installment purchases possible without adjustments in other expenditures. So also, adjustments in other expenditures may be postponed for shorter or longer periods by buying on long terms and with small down payments or by defaulting on obligations. The meaning of the percentage figures is further affected by the fact that, as noted, average income of installment buyers are universally higher than those of noninstallment consumers except in the upper income brackets. Thus a greater percentage of income for some group of items by the noninstallment consumer does not necessarily mean an equivalent higher dollar expenditure.

CHART 2

EXPENDITURES OF INSTALLMENT AND NONINSTALLMENT CONSUMERS

BY INCOME GROUPS, 1941



UNITED STATES DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS

Source: TABLES 4 AND 5

Within these limits of usefulness, the data present one interesting and significant fact: There does not seem to be any small group of expenditures upon which the adjustment is concentrated. In so far as adjustments are made within the limits of expenditures for goods and services, they seem to be spread pretty well throughout the entire list in about the same proportions that the noninstallment expenditures themselves are distributed.

TABLE 5.—*Expenditures of Installment Buyers and Noninstallment Buyers, as a Percent of Income, by Income Groups*

Item of expenditure—for current consumption	Under $500		$500 and under $1,000		$1,000 and under $1,500		$1,500 and under $2,000		$2,000 and under $2,500	
	Installment	Noninstallment	Installment	Noninstallment	Installment	Noninstallment	Installment	Noninstallment	Installment	Noninstallment
Automobile	11.9	4.4	11.9	2.3	10.0	4.7	10.2	4.8	16.2	6.9
Clothing	5.0	9.9	14.4	8.5	12.5	10.3	11.9	9.7	10.4	9.8
Furnishings and equipment	3.5	2.5	9.6	1.4	7.9	3.2	7.2	2.6	6.9	3.9
Miscellaneous	9.1	17.6	12.2	11.8	12.1	11.6	10.9	11.5	12.0	11.6
Household operation	2.8	6.8	2.3	4.7	3.3	4.1	3.1	4.8	3.4	3.9
Medical care	3.5	8.7	4.6	4.0	3.7	5.0	4.7	4.9	4.5	5.1
Fuel, light, and refrigeration	11.6	9.6	6.3	6.2	5.7	5.7	5.5	6.0	5.0	4.7
Housing	19.9	23.9	12.7	19.0	15.3	16.8	13.1	14.0	14.1	13.0
Food	35.5	56.2	37.2	40.4	34.3	35.0	33.7	31.0	28.5	29.2
Gifts, contributions, welfare, religion, and personal taxes	8.4	6.5	.8	4.8	3.2	4.0	3.5	4.3	3.7	4.5
Total expenditures as percent of income	111.2	146.1	112.0	103.1	108.0	100.4	103.8	93.6	104.7	92.6

Item of expenditure—for current consumption	$2,500 and under $3,000		$3,000 and under $5,000		$5,000 and under $10,000		$10,000 and over	
	Installment	Noninstallment	Installment	Noninstallment	Installment	Ninonstallment	Installment	Noninstallment
Automobile	12.6	7.3	14.0	7.3	14.2	6.3	7.7	6.9
Clothing	10.8	11.3	12.0	11.3	13.7	9.9	4.8	8.6
Furnishings and equipment	7.2	4.6	8.1	4.5	6.4	2.4	3.4	1.9
Miscellaneous	12.4	12.6	11.3	12.5	13.1	13.4	7.3	11.6
Household operation	3.7	3.9	4.6	4.3	4.1	4.2	4.7	6.4
Medical care	3.4	3.1	3.9	4.2	3.8	4.0	4.3	2.3
Fuel, light, and refrigeration	4.3	4.3	3.8	3.7	3.3	2.6	1.4	2.2
Housing	11.7	12.6	10.5	10.2	4.8	9.5	8.1	7.9
Food	29.7	30.4	25.7	25.3	27.7	19.7	11.9	13.7
Gifts, contributions, welfare, religion, and personal taxes	4.2	4.7	4.1	6.0	3.8	6.8	10.6	12.4
Total expenditures as percent of income	100.0	94.8	98.0	89.3	94.9	78.8	64.2	73.9

Limitation of Basic Data Used

The validity and significance of the foregoing observations are, of course, dependent upon the adequacy and representativeness of the sample used and the meanings attached to the terms. For that reason it seems desirable to append here a description of the data used and their limitations.

Although the study made by the Bureau of Labor Statistics is sometimes called a survey of "family" spending and saving, data for 1941 were obtained not only from families, as the term is commonly used, but also from single consumers who maintain separate living quarters and do not share their incomes. It is, therefore, more properly to be called a study of spending and saving by "consumer purchasing units," and this terminology is used here.

The Bureau did not direct its study specifically toward analyzing installment buying. In using its material for present purposes, reliance must be placed upon data collected which only indirectly throw light upon what the consumers interviewed were doing with installment buying.

The principal item upon which the present tabulations are based is in that part of the schedule outlining changes between the first of the year and the end of the year in the assets and liabilities of the consumer units interviewed. Among the "changes in liabilities" are net increases or net decreases in amounts owing under installment contracts. The responses to this item can be tabulated to show the number of consumer units having a net increase, the number having a net decrease, and the number having no change in their installment balances over the period of the full year.

For purposes of the present article, the total number of consumer units having a net increase in their installment balances is taken as approximating the number of units which used installment credit in the purchase of goods or services during 1941. The resultant figure almost certainly understates the true figure, but it gives the best estimate available from these schedules for present purposes.

A better estimate of the number of units buying goods or services on installments during this particular year, 1941, probably could be obtained by taking all those having a net change over the year in their installment liabilities, that is, those with a net increase plus those with a net decrease. The effect would be to use the net decreases as a correction factor to compensate for omissions resulting from the use of net increases alone. These omissions include consumers who have a net decrease in amounts outstanding because their repayments on obligations carried over from earlier years exceed their new purchases; those who bought during the year but finished payment on the contracts before the end of the year; and those who arranged installment loans from cash lenders and bought from the retailer on cash terms. All consumer units showing net increase can confidently be assumed to have made purchases on installments during the year, since those whose balances were increased by other operations (such as renegotiation of outstanding contracts) cannot be very numerous.

Due weight should be given to the fact that in 1941 consumers with net increases in installment obligations substantially outnumbered consumers with net decreases. In years when decreases are more nearly equal to or exceed increases, the procedure here suggested probably would overcompensate for the omissions from the figures for net increases alone. Under such circumstances the figure for net increases alone probably would give a better estimate of the number of units who bought on installments during the year. This is the figure preferred by Miss Bernstein in her study noted at the beginning of this article.

Data were tabulated for the present study on the net-increase basis, rather than on the presumably more accurate net-change basis, because of the kind of analyses made in tables 4 and 5. If the study were to be concerned solely with the number of installment buyers and their distribution, it could safely be assumed that those with net decreases would not differ markedly as regards their distribution between and within classes from the omitted consumer units whom they replace in the statistics. When the effects of installment buying upon consumer expenditures are considered, however, it must be assumed that the behavior of those whose obligations increased differs markedly from those whose obligations decreased. Combination of the two groups would tend to smooth out the very differences this study tries to measure.

The reader should keep in mind the fact that, because of the statistical difficulties just explained, the estimates here given of the number of "users" (as the term is employed in this study) are almost certainly substantially smaller than the number of consumers who made use of installment credit by purchasing something on installments in 1941. If the term "users" brings to the readers' mind every living person who has at some time or other bought something on installments, the degree of understatement would be even larger.

In addition to providing a basis for estimating the number and distribution of installment users, the schedules contain some information concerning the types and amounts of goods bought on installments. These data are fragmentary but, as has been noted, they offer a basis for estimates concerning the importance of installment buying in consumer budgets. The basic data on patterns of consumer expenditure for all types of goods and services on all payment plans also can be used to throw some light upon the ways in which the use of the installment privilege affects consumer spending.

The utility of these data in an analysis of installment buying is severely limited by the size of the sample. The 1935–36 sample included 60,000 families, a figure large enough to permit refined analysis through very detailed classifications. The 1941 study covered only about 3,000 consumer units, and of these fewer than 1,300 were in the sample of urban consumers covered by the Bureau of Labor Statistics.[16] The number of subdivisions which could be made for purposes of analysis was thus sharply limited. More detailed analyses if they were possible, would be useful from the point of view of understanding installment buying, but it is felt that the present article pushes the analysis to the extreme limits of statistical validity.

The sample here studied differs from Miss Bernstein's study, covering 1935–36, in two important ways other than size: It is narrower in that it covers only urban consumers living in cities of 2,500 or more population, and it is broader in that it covers recipients of relief and single persons (omitted from the 1935–36 survey) and gives more adequate representation to Negroes and to the foreign born.

[16] The remaining 1,700 were in the rural sample surveyed by the Bureau of Human Nutrition and Home Economics.

Selected List of BLS Publications on Costs, Standards, and Planes of Living

Clothing. Recent changes in the character of civilian textiles and apparel. M. L. R., September 1943 (R. 1573).

Coal. Retail prices and distribution of coal during 3½ years of war. M. L. R., May 1943 (R. 1539).

Differences in retail-price changes among stores. M. L. R., February 1944 (R. 1624).

Hawaii. Wartime earnings and spending in Honolulu. M. L. R., April 1944.

Income and spending and saving of city families in wartime. Bull. 724 (10 cents); reprinted from M. L. R., September 1942, with additional data.

Indexes of cost of controlled and uncontrolled goods and services. M. L. R., January 1943 (R. 1509).

Money disbursements of wage earners and clerical workers in 13 small cities, 1933–35. Bull. 691. 20 cents.

Puerto Rico. Living costs in Puerto Rico. M. L. R., October 1943 (R. 1585).

Spending and saving of the Nation's families in wartime. Bull. 723 (5 cents); reprinted from M. L. R., October 1942, with additional data.

Spending and savings of wage earners and clerical workers in large cities. M. L. R., July 1941 (R. 1303).

Trend of prices and cost of living in 1943. M. L. R., February 1944 (R. 1621).

Wages and cost of living in two world wars. M. L. R., November 1941 (R. 1394).

Wartime changes in consumer goods in American markets. M. L. R., November 1942 (R. 1488).

NOTE.—M. L. R.=Monthly Labor Review.
R.=Reprint serial number.

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