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Studies in Consumer Instalment Financing:
Number Seven

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The Volume of Consumer Instalment Credit, 1929-38

By DUNCAN McC. HOLTHAUSEN in collaboration with
MALCOLM L. MERRIAM and ROLF NUGENT

Financial Research Program
Studies in Consumer Instalment Financing

7

NATIONAL BUREAU OF ECONOMIC RESEARCH

Preface

THIS study presents annual and monthly estimates of the quantity of consumer instalment credit, including both retail instalment (sales finance) credit and cash loan instalment credit, for the period 1929-38. It was initiated in 1938 as one phase of the National Bureau's investigation of consumer instalment financing, the first project under the program of research in finance supported by special grants from the Association of Reserve City Bankers and the Rockefeller Foundation.

The estimates have been prepared by Duncan McC. Holthausen in collaboration with Rolf Nugent, Director of the Department of Consumer Credit Studies of the Russell Sage Foundation, and Malcolm L. Merriam, Chief of the Credit Analysis Unit of the Marketing Research Division, United States Department of Commerce. Mr. Holthausen, who was in general charge of the statistical work, was responsible for the first draft of the manuscript. Mr. Nugent prepared the year-end estimates of outstandings of personal finance companies, industrial banking companies, personal loan departments of commercial banks, and credit unions, and collaborated in the preparation of the monthly series for these agencies. Mr. Merriam contributed much special information on retail instalment credit, derived from the Retail Credit Surveys made annually under his direction by the Bureau of Foreign and Domestic Commerce. At all stages of the work close cooperative relations were maintained by the collaborators, and the resulting estimates are in a very real sense their joint product. Mr. Holthausen's original manuscript has been revised and elaborated in the light of criticisms and suggestions made by Mr. Merriam and Mr. Nugent.

For suggestions as to approach and method in the planning and development of the present estimates of consumer instalment credit, we are greatly indebted to W. W. Riefler of the Institute for Advanced Study, and Chairman of the National Bureau's Committee on Research in Finance, and to Simon Kuznets of the University of Pennsylvania and the research staff of the National Bureau. Mr. Riefler especially kept in close contact with the statistical work and assisted in the solution of many technical problems. The initial exploratory work on the estimates was done by Charles L. Merwin, Jr. His careful analysis of previous estimates of the volume of retail instalment credit and their limitations proved an invaluable aid to the final study.

The preparation of these estimates has been greatly facilitated by the cordial cooperation of public agencies and trade associations interested in consumer instalment financing, as well as by private institutions actively engaged in the field. We are obligated for assistance and materials to the research divisions of the Board of Governors of the Federal Reserve System, the Farm Credit Administration and the Federal Housing Administration. The trade associations which have cooperated generously in our work include the American Industrial Bankers Association; Automobile Manufacturers Association; Edison Electric Institute; National Association of Sales Finance Companies; National Automobile Dealers Association; National Retail Dry Goods Association; and National Retail Furniture Association. Leading sales finance companies, personal finance companies, industrial banking concerns, commercial banks operating personal loan departments, credit unions, retailers and manufacturers have responded generously to our requests for information, and we are glad to acknowledge our indebtedness to them.

The successful outcome of this statistical undertaking is due largely to the cordial cooperation received from the Russell Sage Foundation and the United States Department of Commerce, and the National Bureau welcomes the opportunity to express its appreciation to these agencies. The esti-

mates themselves fill a serious gap in existing quantitative data pertaining to the consumer credit field. In recognition of their importance, the Department of Commerce has provided for their continued preparation under its auspices, on a current basis, by the Credit Analysis Unit, Marketing Research Division of the Bureau of Foreign and Domestic Commerce.

It should be emphasized that the present data do not embrace the entire consumer credit field; they are confined to consumer *instalment* credit. Year-end estimates of total consumer credit outstandings for the period 1923 through 1937 have already been made by Rolf Nugent of the Russell Sage Foundation, and are presented in his study, *Consumer Credit and Economic Stability*, published by the Foundation in 1939. In preparing his estimates, however, Mr. Nugent did not segregate instalment credit from other forms; nor did available materials permit him to estimate the volume of credit extended during the year, or to develop his estimates on a monthly basis. This study therefore supplements in several important ways the statistical work which he has already done. Certain differences between these estimates and those of the Russell Sage Foundation are pointed out in Appendix E.

Mr. Holthausen was assisted in preparing these data by the following members of the statistical staff of the Consumer Instalment Financing Project: Mary Deeley, who carried the brunt of the statistical tabulations; Esther Skala, Aileen Barry and Dorothy Weitzel, who assisted generally in the statistical work. The final charts were prepared by H. I. Forman. Bettina Sinclair and Isabel L. Davis edited the manuscript, and both the text and the tables have greatly benefited from their careful work.

RALPH A. YOUNG

Director, Financial Research Program

September 20, 1940

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