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APPENDIX E

**Differences Between the National Bureau's Estimates of
Consumer Instalment Credit and the Russell Sage Foun-
dation's Estimates of All Consumer Credit**

Differences Between the National Bureau's Estimates of Consumer Instalment Credit and the Russell Sage Foundation's Estimates of All Consumer Credit

THE coverage of the estimates of consumer instalment credit presented in this monograph differs in several important respects from the coverage of the estimates of all consumer credit developed by Rolf Nugent of the Russell Sage Foundation.¹ Mr. Nugent's estimates measure the outstanding amounts of all types of consumer credit, including both instalment and open accounts arising from retail sales of commodities and services, and cash loans; the National Bureau's estimates measure the outstanding amounts of credit which arise from sales of commodities on instalment terms and from cash loans payable in instalments, as well as the amounts of credit granted, repayments and credit change. The Foundation's figures thus include three classes of consumer credit which are excluded from the Bureau's figures: (1) open account credits arising from sales of commodities, (2) both open and instalment accounts which arise from sales of services, and (3) certain types of loans which are not generally payable on instalment terms.

The two sets of estimates are also broken down by different classifications. The Russell Sage Foundation's estimates are subdivided according to four major classes of creditors—

¹ Russell Sage Foundation, *Consumer Credit and Economic Stability*, by Rolf Nugent (1939) p. 124.

retail merchants, service creditors, intermediary financing agencies (those that acquire instalment contracts to which they are not original parties), and cash-lending agencies; and these were further subdivided by specific types of credit-granting institutions. The National Bureau's estimates are divided into two general classes: credit arising from retail instalment sales (the retail group) and credit arising from cash loans (the cash loan groups).

Among the agencies that lend cash to consumers, credit unions, industrial banking companies, personal finance companies, and personal loan departments of banks use instalment techniques almost exclusively. The National Bureau's figures for the cash loan group, consequently, cover the same ground as the Russell Sage Foundation's estimates for these types of cash-lending agencies. For this area, in fact, the National Bureau used the Foundation's estimates and the two sets of year-end figures are therefore identical.

The Russell Sage Foundation did not undertake to measure retail instalment credit apart from other retail consumer credit, and the nature of the basic data used by the Foundation—sembled as they were by the agency holding the credit—precludes the construction of such estimates from its materials. The development of a comparable series from the Foundation's estimates would require the elimination of open account balances of retail merchants, of credits arising from sales of services (notably medical and dental financing, insurance financing and the financing of repairs to automobiles), held by intermediary financing agencies, and of some business credits extended by the latter agencies.

In spite of their lack of comparability, differences in the absolute amounts and in the amplitudes of fluctuation of the two sets of estimates are exceedingly interesting. These figures are given in Table E-1. The Foundation's estimates, covering the whole field of consumer credit, are consistently more than twice as large as the National Bureau's figures for consumer instalment credit. There can be no question that the classes of consumer credit excluded by the National Bu-

TABLE E-1

ESTIMATED AMOUNTS OF CONSUMER INSTALMENT CREDIT
AND OF TOTAL CONSUMER CREDIT OUTSTANDING AT
END OF YEAR, 1929-37

Year	Consumer Instalment Credit ^a		Total Consumer Credit ^b	
	Year-End Outstandings ^c	Index	Year-End Outstandings ^c	Index
1929	\$ 3,231.1	100	\$ 8,183	100
1930	2,761.7	85	7,570	93
1931	2,253.8	70	6,442	79
1932	1,533.1	47	4,957	61
1933	1,629.8	50	4,807	59
1934	1,873.5	58	5,222	64
1935	2,586.2	80	6,080	74
1936	3,452.0	107	7,435	91
1937	3,847.0	119	8,326	102

^a National Bureau of Economic Research.

^b Russell Sage Foundation.

^c Total of year-end outstandings shown in Tables C-3, B-13 and B-14. Millions of dollars.

reau represent in the aggregate extremely large sums. It seems probable, however, that the differences between these two sets of figures are somewhat greater than the total amount of the excluded classes of credit.

The Russell Sage Foundation defines consumer credit as the sum of the receivables of agencies which are engaged generally in the extension of credit to the consumer, and it was unable to eliminate entirely instalment credits used for business purposes, such as those arising from the sale of commercial motor vehicles, farm implements, store fixtures, and professional and industrial equipment, which the National Bureau was able to eliminate from its estimates. The Foundation also included figures for instalment receivables arising from manufacturers' retail sales, which the National Bureau omitted as a precaution against duplication. The National Bureau's estimates do not include figures for retail services financed by instalment contracts, nor for certain types of cash-lending agencies which use instalment techniques for part of their lending operations. Further, they do