Volume Title: Factors Influencing Consumption: An Experimental Analysis of Shoe Buying

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PRICES

According to economic theory, the consumer is discouraged from purchasing a given article by a rise in price and encouraged by a fall in price, other things the same. At least for extreme changes in price of the same article this virtually must be true, other things the same. The problem is to determine how much change in buying is associated with how much sensed change in price, *ceteris paribus*. There are all sorts of theoretical and practical difficulties in isolating and evaluating this influence.

We need to measure the change in prices that consumers believe to have taken place, other things the same. Their sensing of change in prices is likely to be poor. For one thing, the same shoe may not be bought successively, and so price comparisons become fuzzy. Then, too, price comparisons are blunted by the common retailing practice of holding to a given "price line" and changing quality when costs change; most consumers are poor judges of the quality of a shoe as they view it in a salesman's hands. Finally, a reaction to change in price is likely to be affected by many other variables equally difficult to sense, such as the rate at which the change takes place and differential price change among various sorts of shoes and as between change in the price of shoes on the one hand and of other consumer goods on the other hand. For most of these factors quantitative estimates are quite out of the question. Indeed it is not easy to say how to measure even very roughly only the gross changes in relative shoe prices of which buyers are aware.

Nevertheless, there certainly must be many times when people have no doubt that shoe prices are changing. This is probably often the case with shoes at the lowest end of the price line. It would also be true of strong changes in the price (or quality) of shoes of any sort. If these sensed changes in shoe prices seem out of line with those of other prices, shoe buying, other things the same, is likely to be affected.

How strong the effect may be is impossible to say on a priori grounds, and there is little empirical evidence available. It would be possible to construct appropriate experiments in retail stores; but if they have been made, I do not know of them. In this paper we have introduced shoe prices as a variable in the multiple correlation of time series, on the assumption that changes in prices of staple shoes of the sort reported in our price statistics are a reasonable facsimile of price changes that consumers believe to have occurred. Other prices have been "held constant" by the device of expressing shoe prices as a ratio to the cost of living.[1]

[1] Richard Stone has used each of these two prices separately in correlation analysis rather than the ratio between the two, believing that consumers may under some conditions be more or