Installment Plan Buying

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Installment Plan Buying

By Gwen Edwards

When you pass by a furniture store and see a beautiful dining room set in the window with a sign by it which says, "This set $265.00. $45.00 down; the rest in easy payments," what do you think? or, when you pick up a Chicago Tribune and see an advertisement of a washing machine which says "Let us put this machine into your home with a small down payment and easy monthly payments," or when you see a sparkling diamond in an advertisement with these words, "$6,000 down and $1,100 a week; wear this beautiful ring while you are paying for it." Has it ever occurred to you that this sort of thing is one of the most talked of and written about topic in the business world at present? It is so important that it is commanding the attention of well known men in industry some of whom I will quote a little later on.

Two Sides of the Question

This question, however, is no exception to all other questions, and it has two sides both of which can right be upheld to a certain extent. Before going into the advantages and disadvantages of such a system, I want to give you the opinions of some well known men both for and against the system. It is interesting to note the kind of business interests which these men represent, and you can no doubt see from following facts that their business influences their opinions.

Cott Johnson, President of Endicott Johnson Corporation—one of the largest shoe manufacturers in the country, says, "Urging the poor into debt, or installment plan buying, is the vilest system yet devised to create trouble, discontent and unhappiness among the poor." "Debts contracted by poor people which place a mortgage upon their health, their jobs, and their earning powers are just a thousand times worse than the old liquor habit—meaning it creates more unhappiness."

James H. Harbad, President of Radio Corporation of America, says, "Installment purchases during the last year have added greatly to prosperity of the country."

In 1925 in this country there was $5,000,000,000 worth of merchandise sold on the installment plan; in other words there was $3,000,000 worth of goods which without installment selling would not have been manufactured until 1926. 1925 borrowed this amount of business from 1926. If 1926 borrowed that much from 1927, and so on where would it end? Granting that one-third of this has been paid by this time, it leaves $3 1/3 billions to be paid in 1926 or 5 percent of our national income. It is estimated that the purchaser pays 20 percent interest on deferred payments for the privilege of getting an article one-third of the usual cost in installment buying. There are probably many of you who are not familiar with this type of purchase and do not realize the significance of it. For that reason I want to give a few figures to show what is being bought and the percentages of these commodities which are being paid for as they are being depreciating in value. For last year I have these figures which were published by the Farmer's Loan Trust Co., N. Y.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture</td>
<td>$765,000,000</td>
</tr>
<tr>
<td>Phonographs</td>
<td>56,000,000</td>
</tr>
<tr>
<td>Automobiles</td>
<td>2,182,681,878</td>
</tr>
<tr>
<td>Washingmachines</td>
<td>68,000,000</td>
</tr>
<tr>
<td>Vacuum cleaners</td>
<td>44,000,000</td>
</tr>
<tr>
<td>Pianos</td>
<td>49,000,000</td>
</tr>
<tr>
<td>Jewelry</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Radios</td>
<td>39,000,000</td>
</tr>
</tbody>
</table>

These are people who apparently see no harm in the situation. They tell us that this increase in production is giving employment to many people—for instance if automobiles were sold for cash, the demand would be very low, and many people in Michigan, Indiana, and that part of the country would be thrown out of employment. They say, also, that to have these payments due each week give people an incentive to work, but that is not true. One writer says, "Efficiency has been preached for years, but did not accomplish much—all of a sudden workers have more money, and when you pay them in luxuries which are just in reach if they work a little harder. The zeal of our working classes depends on the nearness and obtainability of a long list of luxuries that have become necessities."

Our standard of living makes it necessary for people to have automobiles, radios and pianos—they are judged by them. The President of the Farmer's Loan and Trust Co., N. Y. states that in spite of the increased installment buying there has been a tremendous increase in savings deposits, life insurance, home building and security purchase.

Installment buying certainly has one point in its favor: it gives people an opportunity to buy their own homes, and they can buy life insurance, when otherwise it would probably be impossible.

The advocates of this plan of buying refer to Pres. Coolidge's statement of last winter to the effect that installment buying is probably a good thing and better than the custom which he saw as a boy when many buyers ran bills at the store with no plan of payment.

The answers to a questionnaire sent to consumers in Oregon are summed up in an article in the Literary Digest, and given briefly: "Makes paying easy; encourages thrift by saving to make payments; can enjoy a product while paying; makes an article permit more people to be employed; can enjoy greater luxury; helps to keep up appearances; satisfies the family."

Disadvantages of the Plan

It is a bit easier to find arguments against this plan than for it—it seems to me that after reading quite a number of articles on the subject that one might justifiably generalize and say that more thinking people are opposed to it than are in favor of it—in spite of the fact that one writer says that installment buying is here to stay, in spite of opposition in as much as it has made for greater production, employment stability and prosperity.

Installment buying threatens the future of the people who buy. It encourages people to buy commodities which they cannot afford because the down payments are so low. People want luxuries which are not necessary, and in order to make the payments they sacrifice on necessities. One writer states, "working people will cut down expenditures on everything else in order to keep cars, radios, pianos etc. Without them a working man is just a walking man. But get into your car, even the' you owe 75 percent on it, and roll across the country you leave the stigma of the work shop and climb into the luxuriant class."

This system has grown rapidly since the war, when the country found its factories producing more luxury and semiluxury products, and they had to distribute the money coming the easy payment plan. The fact that such enormous sums are spent for radios, jewelry, phonographs and automobiles shows that people are

(Continued on page 14)
Making Your Bedroom Cozy

(Continued from page 3)

Your bed. A lovely contrasting color might be brought in by a lavender cushion in your chair, and cologne bottle on your dressing table of a deep red shade of violet. A picture or two, hung with parallel wires from the ceiling, or with an invisible hanging, and a textile, having in them colors to harmonize with your green and lavender, would finish, and "tie together" the other things in your room.

Or do you like things more severe—more tailored? Then you perhaps would like curtains of figured cretonne, with bands of plain color. The colors in the cretonne may be red-orange, with green, blue-greens and blues, the bands of plain red-orange. The spread might be natural color linen with bands of the cretonne or plain color. There too a more colorful textile and picture might be used.

Choose your bedroom furniture for its simplicity and comfort, and place it in groupings for convenience and comfort. For a young person's room, painted furniture is both inexpensive and effective. A chintz covered chair, a cushion, a tiny table with a lamp and a book—now doesn't that sound cozy?

If, in any way, you can make your room a little less like Mary's, the result will more than justify the effort. One good rule to start with is "a place for everything, and everything in its place."

In all things there is unity. In all things have beauty. In all things have harmony. You, then, will begin to love your room, and others will not fear to enter. It will be an oasis where you may go to find peace and quiet.

Happiness is a perfume you cannot pour on others without getting a few drops yourself.

Installment Plan Buying

(Continued from page 9)

spending, or rather contracting, for luxuries and not always necessities. On all of these sales the consumer is paying approximately 20 percent interest—why not borrow the money from some business and buy for cash, then pay the instalments to the banker with only 8 percent interest.

This system has not reached the serious stage yet; it can go on all right for a while, but credit extension cannot permanently enlarge the consumer's purchasing power. The temporary use of installment plan buying causes a temporary spurt in production which must slow down again to the original pace when credit capacity of the public is saturated. Business, faced with a technical ability to produce, which grows faster than the real incomes of the bulk of the consumers, has turned to the time payment as a drug. Temporarily stimulating, it brings ultimate weakness. Eventually business must face the necessity of increasing general purchasing power as fast as it increases its production. It cannot depend on temporary expenditures such as advertising, salesmanship and expansion of credit. Because of the high powered advertisement and salesmanship, they are trying to crowd two years business into one. A general business slump and period of depression is predicted by some people.

One writer says, "The greatest danger that threatens the economic welfare and happiness of people of average circumstances today is the ease with which they can contract to pay for luxuries and non-essentials and the great extent to which their future earnings are already mortgaged by such purchases. Credit is too cheap and many are buying beyond their capacity to pay."

In the questionnaire sent to consumers' in Oregon which I have mentioned before, sums up the reasons of disapproval of this system in these words, "Encourage running into debt; leads to extravagance; failure to pay installments means loss of article, and past payments too; cost is much greater; always bothered with small bills; payments last longer than article; not fair to those who pay cash; lower quality goods sold on installment."

In conclusion, I want to base my own opinion on two things; first, a state-
ment from George W. Norris, Governor of the Federal Reserve Bank of Philadelphia. He believes it is justifiable and advantageous when applied to articles of lasting utility with more or less permanent value, when the articles exceed the immediate cash resources of people of small incomes; he states definitely autos, furniture and pianos. He does not believe in it for personal articles and luxuries.

Second, the Farmers Loan and Trust Co. submitted questionaires to leading business men in the country with questions regarding installment buying. In the answers there was an unanimity of favorable opinion that it was all right with respect to acquisition of necessities. In regard to luxuries their opinions did not favor installment plan buying and thought it should not be encouraged.

I believe we are justified in taking advantage of this system in buying necessities and things which make for greater happiness in the home—keeping in mind always to be moderate in the use of it. By no means do I think people should buy clothing and luxuries on this plan especially those which deteriorate as fur coats. We have no right to contract to pay very large percent of our salaries for such things. People who do use this system must have the ability to realize their capacity to meet their payments without injuring their credit or the welfare of those dependent upon them for support.

If we use this system we must be qualified to resist the effective urge of competent sales persons; we must have a somewhat authentic conception of values. We must be competent to judge whether it is better for us to pay a high rate of interest for the immediate use of the article or to wait until we can put up the whole amount in cash.

Let us as women do all we can to influence people to buy sensibly and, discriminately—remembering always that excessiveness in anything may mean disastrous results.

**Sportsmanship**

Play the game
But play it fairly
Fight to win
But meet men squarely.
Tackle hard
And hit the line
Do your best
But don't you whine.
Play to win
But every inning
Keep in mind there's
More than winning.
Victory's sweet
But good or ill
An honest name
Is sweeter still.
Reach your goal
By hard endeavor
But by trick
And cunning never.
Win or lose
Though bruised and lamed
Let night find you
Unashamed.—Edgar A. Guest.

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$3.00

Any Shade

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DOWN WHERE THE FLORSHEIM SHOE SIGN SHINES