

Record Prosperity Predicted for 1928

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*The following article, which appeared in “The New York Times” on November 18, 1927, quotes the chairman of the General Motors Corporation and a Columbia University economist praising the power of “installment plan” selling and consumer credit as the leading forces in the **consumer economy** of the 1920s.*

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The greatest **prosperity** the nation has ever known will come in 1928, according to John J. Raskob, Chairman of the Finance Committee of General Motors Corporation. He spoke last night to more than 500 leaders in industry who attended a dinner to honor Professor Edwin R.A. Seligman of Columbia University, held in the Ritz-Carlton.

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He estimated that production this year of automobiles, passenger cars and trucks, would total 3,500,000 in the United States and Canada, and then predicted that in the coming year, with the Ford Motor Company joining in, the production would reach 5,000,000 cars, a gain of about 40 per cent.

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The remarks of Mr. Raskob led up to the introduction of the guest of the evening, Professor Seligman, who completed recently a study of installment selling which occupied him and a corps of twenty economists for fifteen months. Installment selling, he said, had been a potent force in American industrial progress. He said that its development had been one of the leading progressive manifestations in the last century of business.

What's going on?

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Professor Seligman said that his studies of the deferred payment plan had taken him down to the end of 1926. He disclosed that of the total of retail sales in 1926, which amounted to \$48,000,000,000, approximately 12 per cent, or about \$4,500,000,000, had been on the installment plan. He cited the figures as evidence of the big role being played by this form of purchase.

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Mr. Raskob said that “We in the industry estimate that say 60 per cent of all automobiles produced are sold on credit through installment payments. If this credit was not available we would have no motor industry as we know it in this country today. Today it is the greatest industry in the world and can be credited largely if not wholly with the **prosperity** our country and its people are enjoying.

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“In 1926 the retail value of automobiles, trucks and parts produced is estimated at six billion dollars. If to this we add the cost of building and maintaining garages all over the country, the cost of new roads built and old roads maintained to meet automobile demands, we quickly reach a total of ten billion dollars of wealth created. By what? By the ability of our people through consumer’s credit to buy automobiles and thus satisfy their desire to go on wheels and go fast.

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“This ten billion dollars of goods and services annually attributable to the automobile industry is wealth created almost entirely within the United States, practically the only material imported being rubber for automobile tires.

What’s going on?

How does this relate to what you have read already?

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“The purpose of my remarks is not to sell the automobile industry, but to indicate what can be accomplished in industry generally through the proper development of a latent power existing in man known as credit. During the past hundred years we have developed thoroughly safe rules to govern the extension of credit to producers, and we now are evolving rules to govern the safe extension of credit to consumers.”

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“Installment selling has increased production, stabilized output, reduced production costs and increased purchasing power,” said Professor Seligman. “The installment plan induces the consumer to look ahead with greater care and to plan his economic program with a higher degree of intelligence. It not only tends to strengthen the motives which induce an individual to pay but also influences his capacity to do so.”

What’s going on?**How does this relate to what you have read already?****What is the overall message of the passage?****What questions do you have?**